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CENTRAL EURASIA



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FBIS Report: Central Eurasia

FBIS-USR-94-093

CONTENTS

25 August 1994

INTERSTATE AFFAIRS

Russia to Stop Gratuitous Energy Supplies to CIS Countries	[KOMMERSANT-DAILY 18 Aug]	1
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RUSSIA

POLITICAL AFFAIRS

Soyuz Movement Meets	[GLASNOST 8-14 Jul]	2
Baburin Attacks CPRF on Budget	[GLASNOST 8-14 Jul]	3
Shenin Addresses Sverdlovsk Group	[GLASNOST 8-14 Jul]	4
CPRF Official on Duma Work	[GLASNOST 8-14 Jul]	5
Shenin on Communist Priorities	[GLASNOST 29 Jul]	6
Union of Communists Holds Plenum	[GLASNOST 29 Jul]	11

ECONOMIC & SOCIAL AFFAIRS

Formation of Financial-Industrial Groups Examined	[EKONOMIKA I ZHIZN Aug]	12
Government Support for Small Businesses Criticized	[ROSSIYSKAYA GAZETA 4 Aug]	15
Central Bank Official on Control Over Commercial Banks	[DELOVOY MIR 8-14 Aug]	16
Deputy Finance Minister on Budget Plan for 1995	[DEDLOVOY MIR 8-14 Aug]	17
Moscow Procuracy Officials on Solving Contract Murders	[IZVESTIYA 13 Aug]	20
Procuracy Says Tax Evasion Rampant	[NEZAVISIMAYA GAZETA 13 Aug]	22
Officials, Businessmen View MMM Scandal	[KOMMERSANT 5 Aug]	22
Draft Law on Right to Association Discussed	[KOMMERSANT 4 Aug]	24
Elite Figures Polled on Future System for Russia	[SEGODNYA 5 Aug]	25
Decrees on Agricultural Reform Critiqued	[KOMMERSANT-DAILY 6 Aug]	28
Deputy Property Committee Chairman on Privatization Part II	[ROSSIYSKAYA GAZETA 4 Aug]	29
Decree on Agrarian Reform Program	[ROSSIYSKAYA GAZETA 4 Aug]	31
Railway Construction Chief Views BAM Mainline	[GUDOK 3 Aug]	31
Minister Views Railway Apparatus Operations	[GUDOK 17 Aug]	33
Railway Tank Car Cleaning, Painting Facility Under Construction	[GUDOK 17 Aug]	34
Volga Railroad on Economic Stabilization Issues	[GUDOK 17 Aug]	36

UKRAINE

POLITICAL AFFAIRS

Crimea, Chuvashia Cooperation Agreements	[KRYMSKAYA GAZETA 23 Aug]	38
Donetsk Journalists Allegedly Harassed	[DONBASS 19 Aug]	38

ECONOMIC AFFAIRS

World Prices for Gas, Transit Advocated	[MOLOD UKRAYINY 21 Jul]	38
Report on Solvency of Ukrainian Banks	[DONBASS 19 Aug]	40

WESTERN REGION

BELARUS

20 August Currency Revaluation Previewed	[SEGODNYA 17 Aug]	41
--	-------------------	----

CENTRAL ASIA

KAZAKHSTAN

Akmola Mayor on Transfer of Capital	[PANORAMA Aug]	42
Nazarbayev Representative Explains Job	[EKSPRESS-K 9 Aug]	43
Communist Activity in Kzyl-Orda Noted	[KAZAKHSTANSKAYA PRAVDA 10 Aug]	46
Privatization Effects in North Surveyed	[KAZAKHSTANSKAYA PRAVDA 10 Aug]	46
Law Professor on Civil Code	[KAZAKHSTANSKAYA PRAVDA 10 Aug]	48
Law on Revised Republic Budget for 1994		50
Text of Law	[SOVETY KAZAKHSTANA 10 Aug]	50
Addendum	[SOVETY KAZAKHSTANA 10 Aug]	59
Decree on Implementation	[SOVETY KAZAKHSTANA 10 Aug]	65
Almaty Budget, Deficit Reviewed	[SOVETY KAZAKHSTANA 16 Aug]	66
Decrees on Foreign Credits Adopted	[PANORAMA 13 Aug]	67
Directive Covers Business Crisis, Exports	[PANORAMA 13 Aug]	67
Irishev on International Credit, Banking	[KAZAKHSTANSKAYA PRAVDA 16 Aug]	67
Foreign Banks Prepared To Grant New Credit	[PANORAMA 6 Aug]	70
Indebtedness to Russia Reported	[PANORAMA 6 Aug]	70
Sakha-Yakutia Seeks Increased Investment	[PANORAMA 6 Aug]	71
Collaboration With Swiss Continues To Grow	[PANORAMA 6 Aug]	71
Plant Official on Low Industrial Output	[KAZAKHSTANSKAYA PRAVDA 5 Aug]	72
Nazarbayev's Eurasian Union Project Viewed	[SOVETY KAZAKHSTANA 16 Aug]	74
Support Measures for Germans Examined	[PANORAMA 13 Aug]	76
Center Expected To Deal With German Issues	[KAZAKHSTANSKAYA PRAVDA 17 Aug]	78
Tereshchenko Views Ties with Turkey	[KAZAKHSTANSKAYA PRAVDA 10 Aug]	78
'Lad' Requests That Slavs Stay	[KAZAKHSTANSKAYA PRAVDA 10 Aug]	79
Sentence Lifted in Svichinskiy Murder Case	[EXPRESS-K 17 Aug]	79

TAJIKISTAN

Opposition Spokesman Disavows Terrorism	[NOVOYE VREMYA Jul]	79
Tajikistan Reported as Leader in Drug Production, Use	[SEGODNYA 4 Aug]	80

CAUCASUS

ARMENIA

Government Signs Agreement With Trade Unions Group	[SEGODNYA 10 Aug]	82
Boom of Newspapers Market Reported	[SEGODNYA 10 Aug]	82
Financial System Seen Stabilizing	[RESPUBLIKA ARMENIYA 18 Aug]	83
Wheat Production Falls Short of Needs	[RESPUBLIKA ARMENIYA 18 Aug]	84
Weekly Opposition Press Review	[RESPUBLIKA ARMENIYA 18 Aug]	84
Health Ministry Reports on Diphtheria Cases	[RESPUBLIKA ARMENIYA 19 Aug]	85

AZERBAIJAN

Aliyev's 'Southern' Foreign Policy Viewed	[BAKINSKIY RABOCHIY 21 Jul]	85
Chairman Views Musavat Party Activities	[MOLODEZH AZERBAYDZHANA 19 Aug]	88
Russians Appeal Language Discrimination	[VYSHKA 20 Aug]	90
Baku Cholera Case Reported	[RESPUBLIKA ARMENIYA 19 Aug]	91
Farmers Outproduce Kolkhozes	[ZERKALO 20 Aug]	91
First-Half Foreign Trade Statistics	[ZERKALO 20 Aug]	91
Prices Rise Faster Than Salaries	[ZERKALO 20 Aug]	92

REGIONAL AFFAIRS

Stability in Caucasus Seen as Vital for Central Asia	[NOVAYA YEZHEDNEVNAYA GAZETA 13 Aug]	92
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Russia to Stop Gratuitous Energy Supplies to CIS Countries

944Q0564A Moscow KOMMERSANT-DAILY in Russian
18 Aug 94 p 3

[Article by Marat Salimov and Konstantin Smirnov:
"There Will Be No More Gratuitous Aid"]

[Text] *The question of deliveries of Russian energy resources and the repayment of the CIS countries' debts for these deliveries continues to be the principal subject in interstate relations. At the meeting between the Russian Moldavian prime ministers yesterday, agreement was reached on the extension of credit in rubles, intended mainly to repay the debts for Russian gas. Solution of a similar problem with regard to Ukraine, where negotiations are under way between the "Gazprom" management and the republic's government, continues to be uncertain.*

As a result of the latest negotiations between Viktor Chernomyrdin and Andrei Sangheli, an intergovernmental agreement was signed which granted Moldova a loan of 70 billion rubles [R] for 1994. The loan is intended mainly to repay the republic's debts to the "Gazprom" RAO [Russian Joint-Stock Company] for deliveries of energy resources in the 1993-1994 period. However, Moldavia's receipt of the new Russian loan will not resolve its debt problems. According to an estimate by the state concern "Moldgaz," the indebtedness to "Gazprom" for Russian gas, taking the penalty sanctions into account, has reached \$250 million. Moldavia will not be able to repay the entire debt. Cross-shareholding has become the most acceptable alternative. As repayment of the debt, "Gazprom" will utilize the Moldavian gas pipeline, through which 18 billion cubic meters of Russian gas will be exported outside the CIS in 1994. An SP [joint venture] will be formed with "Moldgaz" for this purpose. An arrangement between the two gas concerns was supported by Andrei Sangheli and Viktor Chernomyrdin. Because even in this case all the questions of settlements between the two countries cannot be resolved, Sangheli discussed the prospects for Moldavia's participation in the CIS payments union with Viktor Gerashchenko.

Apportionment of financial resources for repayment of the republics' debts to Russia became standard practice after the Commonwealth of Independent States was formed to replace the USSR. Similar loans have already been granted to six of the former republics of the USSR. Special status with respect to settlements for gas deliveries is being developed in relations between Russia and Ukraine. This republic is now the largest debtor to the "Gazprom" RAO. Ukrainian debts for gas deliveries have already reached \$1.5 billion. As of today, Ukrainian consumers have paid for a total of 20 percent on the gas provided by Russia. The problems of repaying Ukrainian customers' debt for gas were discussed in the talks yesterday between Ukrainian and Russian delegations. In the words of Rem Vyakhirev, chairman of the "Gazprom" RAO, this involves not only the debt, but Ukrainian investments in Russia's gas

industry which were promised earlier. In order to normalize the financial relationships between the suppliers of energy resources and Ukrainian consumers, in Vyakhirev's opinion, urgent steps must be taken to improve the settlement mechanism. In particular, the Russian side proposed that advance payment of accounts be established for gas consumers and that a correspondent account for the Gazprombank be opened in the National Bank of Ukraine in karbovantsy and SKV [convertible currency]. It was also proposed that a procedure be worked out to convert the debt for Russian gas into Ukrainian property and real estate, as well as its partial transfer to Ukraine's state debt. Yesterday Rem Vyakhirev, head of the Russian delegation, was received by Ukrainian President Leonid Kuchma. The meeting was behind closed doors, and nothing is known about its results. It is most likely that, aside from the settlements problem, they discussed the possibility of establishing enterprises to operate gas storage tanks and transport arteries jointly with "Gazprom" and participation by Ukrainian investors in gas extraction in Russia, as well as increasing the volume of Ukrainian investments in the development of Russia's gas industry.

At least one conclusion may be drawn by analyzing the results of the latest negotiations on the gas debt—there will be no more gratuitous aid to even the neediest of the republics of the former USSR. This conclusion is also confirmed by the visit on Tuesday of the Tajikistan government delegation led by Imamali Rakhmonov, the head of parliament, who had asked that the republic be given additional financial aid. Viktor Chernomyrdin did not meet this request.

State Loans for 1994 Granted to CIS Countries by Russia (in Billions of Rubles)

State	Amount	Guaranty Deposit or Security
Belarus	150.0	none
Tajikistan	80.0	50 percent of shares in the Nurek GES [State Electric Power Station]
Uzbekistan	125.0	(1-t)[preceding illegible] of gold
Kirgizia	50.0	none
Armenia	110.0	15 percent of shares in the AES [nuclear power plant], "Armelektromash," "Naprit," and the St. Petersburg Winery and Cognac Plant
Georgia	20.0	25 percent of shares belonging to the Georgian Government and the "Elektrovostroi" PO [Production Association], and 20 percent of the state's shares in the "Samtrest" Winery and the "Chiaturmarganets" PO
Moldova	70.0	70 percent of shares in 11 wineries located in Russian territory and 30 percent of shares in the "Alfa" Television Plant, the "Schemash" Plant, and a number of VPK [military-industrial complex] enterprises

POLITICAL AFFAIRS

Soyuz Movement Meets

944F1164A Moscow GLASNOST in Russian
No 11, 8-14 Jul 94 pp 1,2

[Article by V. Kostyrko: "The USSR Will Be Reborn—So Believe Delegates to the III Congress of the 'Soyuz' People's Movement"]

[Text] The III Congress of the "Soyuz" people's movement was held on 25 June in the Parliament Center in Moscow. The delegates discussed the primary directions and program of activity of the people's movement for 1994-1995, as well as the socio-political situation in the country. The work of the congress was headed by the presidium, which included representatives from all the fraternal republics.

The creation of the deputy group "Soyuz" was announced on 14 February 1990, on the opening day of the III Session of the USSR Supreme Soviet. Its ranks consisted of 781 deputies. Then, on 1-2 December 1990, a decision was adopted at the constituent congress to form an "association of people's deputies of all levels." The III Congress of "Soyuz" was held on 20-21 April 1991. The association was re-named as the people's movement "Soyuz." USSR People's Deputy G. Tikhonov became its chairman. It was he who called the congress to order to the sounds of the hymn of the Soviet Union, and presented a speech.

The delegates heard an in-depth analysis of the state of the country's economy. The 50-percent mark had been passed in the decline of production, while the wear of the fixed capital is approaching 70 percent. Russia has become an economic dump: Everything that the West does not need is brought to its markets. For example, often sausage contains only 5 percent meat, and food products have expired shelf life dates. The per capita consumption of meat comprises 26 kilograms—one-half of what was consumed even 3 years ago.

The fourth world war—an economic one—is going on in the world today. After the third, "cold war." And Russia continues to suffer defeat after defeat. Economic expansion—winning supremacy over material and spiritual resources, reorganization of the geopolitical space—all this is being successfully implemented by the West. Yet what awaits us is the loss of sovereignty and national independence.

The Union of Soviet Republics did not fall apart by itself, but was destroyed in a planned manner by the politicians. This was the result of unconcealed actions by foreign powers and outright traitorship by Gorbachev. Nevertheless, the people are convinced: The USSR shall be reborn. As we know, the State Duma of the Russian Federation has adopted the decision to hold a meeting of delegations of parliaments of Russia, Ukraine and Belorussia to discuss the consequences of the Belovezhskiy Agreement and the means of overcoming the break-up of our country.

After that, the committee chairman of the Congress of USSR Peoples, A. Melnikov, presented a speech on a

project for re-creation of the Soviet Union. The delegates and guests at the congress were warmly greeted by the chairman of the new Communist Party of Yugoslavia, Branko Titanovic.

The discussion was opened by State Duma Deputy S. Baburin. He called for drawing the proper conclusions from the shortcomings in the work of the deputy group "Soyuz," which was created in its time to counterbalance the inter-regional group of deputies.

The delegates fervently greeted the speech of S. Umalatova, chairman of the permanently acting Presidium of the USSR Congress of People's Deputies. It is the former party nomenclature and the supreme leadership of Russia as well as of the USSR which is to blame for the disintegration of our state, she said. As a result, 30 million Russians have become foreigners in their own country. Only restoration of a unified state can correct their fate. I am convinced that on the whole our future will depend on who will stand at the head of the state, on whether we will be able to bring to power a new, honest and pure person who will not worry about his own interests and listen to what the Americans are saying, but will be guided by the opinion of his people.

The speech by the chairman of the RF [Russian Federation] Communist Party Central Executive Committee, G. Zyuganov, was heard with great attention. Specifically, he noted that today four processes are being intensified at the same time, which are called upon to eliminate the USSR and Russia as geopolitical associations. The geopolitical counterrevolution has today entered into its planned phase. A social revolution is being implemented, which has divided society to such a degree that the 10 percent of the most wealthy people have an income which is 15 times greater than the 10 percent of the poorest people. At the same time, the criminal revolution is continuing, and is dismantling the state with the aid of pilferage and implementation of moral destruction of the nation. We have entered into a period of active unrest, when administration is being disintegrated, terror is rampant, and banditism runs the show. We have entered into the phase of the second stage of restructuring ownership of property, which must be concluded with property being concentrated in the hands of 3-5 persons out of every 100. There is a regrouping of political forces going on in the country: Gaydar is creating a criminal party, which will defend the criminal capital. The people's patriotic forces, in turn, are also seeking means of unification. An example of this is the people's movement "Soyuz." The result? Today in Russia, after the elections which were held in December of 1993, people's patriotic forces have come to power in 70 out of 88 regions. The session of the State Duma will in the next few days discuss the emergency situation in the economy, which may lead to retirement of the current leadership and restoration of people's power everywhere.

RSFSR Deputy I. Fedoseyev introduced the proposal of 8 December 1994 to conduct an international scientific conference on "Legal and Political Aspects of Disintegration of the USSR." It is quite obvious that no one had the right to destroy the country, since the III Congress of

Soviets of 21 January 1924 adopted the Constitution of the USSR, and it is the principle document of our Federation. Therefore, the Belovezhskiy agreements do not have legal force. The USSR Congress of People's Deputies did not review them.

The standard bearer of victory, as he was introduced by the chairman, Army General V. Varennikov, was warmly greeted by the audience. A year or two ago, he noted, some said that the ghost of communism would not wander through Europe. However, life has shown that not only the ghost, but the communist forces continue to exist. The ideas of communism are immortal. To the people's movement "Soyuz" I would like to wish effectiveness and stability of its actions.

The audience fervently applauded USSR People's Deputy V. Alksnis. I see, he said, three directions for restoring my Homeland: The USSR, a union state and the restoration of Russia. When they say, let us first restore Russia, I do not agree. I am entirely convinced that there cannot be two sovereignties and two centers of power in one country.

The chairman of the Council of the UCP-CPSU [Union of Communist Parties-Communist Party of the Soviet Union], O. Shenin, emphasized in his speech that the theme of creating a socialist state is sounding ever louder. With the participation of scientists, a draft conception has been developed today for restoring the union state. Nineteen communist parties of the republics have positively received this thesis. At the end of the current year, the II Congress of USSR Peoples will be held, at which this document is to be adopted.

Naturally, many are worried about what our Union should be. A union of independent, sovereign states? If that is so, then we are moving along the path laid down by Gorbachev in Novo-Ogarev. No, we must **formulate a union of peoples and a federation of territories. We must create a unitarian union state** in the full sense of this word. Gorbachev states that it was a unitarian police state. If that were so, then it would have been impossible to destroy it.

Other speakers at the congress were: Film actress E. Pyryeva and USSR people's artist L. Lyadova; representatives of Tajikistan and Georgia—B. Khusainov and G. Arutyunov; State Duma Deputies G. Lukava and V. Ustinov; co-chairman of the "Soyuz" movement and USSR People's Deputy A. Chekhoyev; chairman of the International Confederation of the Korean Association, USSR People's Deputy Kim En Un, and deputy chairman of the LDPR [Liberal-Democratic Party of Russia] A. Khalitov.

The administrative bodies of the "Soyuz" movement were elected at the congress. G. Tikhonov was re-elected as chairman, and the deputy chairmen were A. Chekhoyev and People's Deputy of Russia I. Shashviyashvili.

Baburin Attacks CPRF on Budget

944F1164B Moscow GLASNOST in Russian
No 11, 8-14 Jul 94 p 2

[Article by Sergey Baburin, chairman of the Russian All-People's Union, people's deputy of the Russian Federation, and deputy of the State Duma of Russia: "Unity in the Name of Accord?"]

[Text] For 3 years now, the country has been writhing in the reformist pangs of the ruler—"democrats."

And all this time, the boundary dividing society into two opposite and irreconcilable social camps has been growing wider and deeper. Even according to the official data, at the present time in the country around 5 percent of the population may be classed among the super-rich, while over 85 percent lives below the poverty level. Russia is confidently moving along the path of another internecine slaughter.

The political palette of the opposition which is being formed to the current course of the country's leadership reflects, as in a mirror, the placement of forces in society.

Just as there is no unity in society, so there is no unity in the opposition.

Strictly speaking, we must speak very carefully about the opposition, especially when it is just being created.

For the present, we see generally uncoordinated sociopolitical organizations, each of which is independently trying to gather around itself the strata of society which have been driven into a dead end by the implemented reforms.

Each of these organizations aspires to the truth in the final instance. This splits society even more, and does not allow the simple man to make a choice. Moreover, it pushes the main mass of voters into political mistakes, which are immediately used by those who hold power, proposing their candidates for the organs of representative power, taking over the initiative, using pseudo-patriotic phraseology and discussions about social justice and rebirth of Russia and—winning.

All efforts to unify the organizations of state-patriotic orientation have as yet not been successful.

There are reasons for the split, which lie beyond the boundaries of understanding and border on hypocrisy or cynicism. Here is but one example of the confusion in the ranks of what would seem to be an already created strong opposition.

Acknowledging the importance of unification of all state-patriotic forces whose purpose of activity must be the rebirth of Russia as a great world power with an effective economy, inter-ethnic peace and a high well-being of its citizens, on 28 May of this year the national council of the "Accord in the Name of Russia" was held.

Representatives from over 20 political organizations agreed on coordinated actions for protection of the interests of the people, who have been degraded and robbed by the rulers of Russia.

But on 8 June of this year, the State Duma of the Russian Federation, by a majority of votes, approved the draft federal budget for 1994 submitted by the government.

Among other historic decisions, the duma majority decided to finance part of the expenditures for defense and

the defense sectors at the expense of a certain extra-budgetary fund, which was replenished through the income received from privatization. Chubays could only dream of such "support."

That same government whose activity, according to the results for the 1st quarter of 1994, reduced the gross national product by 27 percent, instead of the anticipated 6 percent, received the support of the deputies.

The budget deficit comprised 54 percent of the sum of expenditures, including 70 percent in February of this year. Despite the fact that the level of the annual deficit to expenditures was ratified in the budget in the amount of 36 percent.

This budget does not correspond to the interests of the people and will remain an instrument for unleashing inflation, the growth of the country's foreign debt, speculative activity, and haggling by various lobbyist groupings.

And the result—closed plants, millions of people unemployed, the collapse of science, culture, and public health and an increase in crime.

Changes are possible only with a radical change of economic and budget policy. Otherwise the chaos in the economy will continue to grow, and the responsibility for this must be placed not only on the government and the president, but also on those in the parliament who supported such a budget.

But the misfortune is not even in the fact that once again the budget process is being turned into a profanity and the real principles of people's power in Russia are being eroded. Rather, it lies in the fact that the political forces on which many Russians are pinning their hopes and which comprise the nucleus of the "Accord in the Name of Russia" movement, are letting the chance for change slip by.

The deputy-communists of the CPRF [Communist Party of the Russian Federation] faction, who supported the budget, once again demonstrated to the people how they protect the interests of the working man.

Voting on the budget today is a means of struggle against the anti-popular course of the government and the president.

We do not have the right to hush up the principle questions of tactics and strategy of the ROS [Russian All-People's Union] in regard to our partners in the coalition.

We cannot agree with a budget according to which the worker would be forced to pay one-third of his wages for housing, his children would not see fruits and vegetables and would not be able to rest at summer camps, many plants and factories would be closed and the workers thrown out into the streets, and where national science and culture would live a pathetic existence.

The budget vote in the State Duma showed that it is not enough to place the signature of leaders of parties and movements under the document entitled "Accord in the Name of Russia." It is necessary to perform painstaking daily work on coordinating joint actions.

Unfortunately, this is not the first time our allies have missed their step. We should recall what the end result was of the voting in the RSFSR Supreme Soviet "for" granting additional powers and authorities to the president and "for" ratification of the Belovezhskiy agreements.

Those who really want unity should remember that, among the deputies voting against ratification of the Belovezhskiy agreements, there was not one member of the communist faction.

The policy of flirting with those who hold power, which is concealed under phrases about accord, cannot lead Russia to peace and prosperity.

In acknowledging the importance of unification of all state-patriotic forces, it is necessary to have unity on a principle basis. If the ranks of political leaders in "Accord..." do not agree with this position, this leads to a dead end.

Shenin Addresses Sverdlovsk Group

944F1164C Moscow GLASNOST in Russian
No 11, 8-14 Jul 94 p 3

[Article by K. Yevgenyev: "In the Homeland of Mr. Yeltsin They Support the Activity of the UCP-CPSU [Union of Communist Parties-Communist Party of the Soviet Union] Council"]

[Text] At the invitation of the communists of Sverdlovsk Oblast, the chairman of the UCP-CPSU Council, O. Shenin, visited Yekaterinburg from 18 through 20 June. On 18 June, for the first time in the past 2 years, the social-political center attracted around 1,000 people. The meeting with the workers lasted four hours. It began with a presentation of a party card to a worker from Nizhniy Tagil, P. Matveyev, born in 1961 and father of four children, and the presentation of pins commemorating "50 years in the CPSU" to V. Kiknadze, T. Arsenyeva and K. Ustinova.

O. Shenin informed those who had come about the political and socio-economic situation on the territory of the USSR, and the development of the communist movement in the former republic of the Union, and answered over 100 questions. The Sverdlovsk residents expressed particular interest in the situation in the "hot spots" of the Union, the possible results of elections of the presidents of Ukraine and Belorussia, and the state of affairs in the communist movement. In short speeches and notes, the meeting participants approved the activity of the UCP-CPSU Council in unifying the communist forces in the individual republics as well as on the territory of the USSR as a whole. At the same time, they expressed some concern over the outlined tendency of slippage by individual detachments of the communist movement toward social democratism, their overly great fascination with parliamentary activity, and the weak influence of the communist parties among the workers and the youth movement. There were critical comments and recommendations addressed to the editorial staffs of the newspapers PRAVDA, SOVETSKAYA ROSSIYA and GLASNOST. The local regions expect from these newspapers a firmer

position in regard to anti-popular regimes, and a strengthening of the organizational role in unification of communist and patriotic forces for the cause of restoring the Soviet Union.

O. Shenin held conferences with the active membership of the Tyumen, Kurgan, Perm and Chelyabinsk Oblast organizations of the CPRF [Communist Party of the Russian Federation] and other communist parties of Russia, as well as meetings with the veterans of the CPSU, members of the Council of Veterans of War and the Armed Forces, the Coordinating Council of the Union of Workers, peasants, the labor intelligentsia and white collar workers of Sverdlovsk Oblast, as well as with economic managers and individual citizens at their request.

In the course of the meetings and talks, the sharp decline in industrial production in the oblast was noted, as well as the impoverishment of the workers. The number of poor is growing, and wards of children's homes are going hungry. At the railroad stations, instead of little bazaars selling homemade goods, there are groups of children begging for pieces of bread from the passengers. At the same time, all sorts of commercial firms are springing up like mushrooms, with a predominance of capital from the NATO countries. Guard structures are created at each of them. In reality, foreign capital is rushing toward the riches of the Urals and formulating combat detachments to protect its interests. It is no accident that Yekaterinburg is comparable to Chicago in the 30's in its level of armed banditism. And on the whole, there is an obvious colonization of the richest region of Russia. The participants in the meetings and discussions see the way out of this general crisis and the possibility of opposing the enslavement of the country in the unification of communist and patriotic forces, removal of Yeltsin and his command from power, return of the country to the socialist path of development, and rebirth of the Union of Soviet Socialist Republics.

CPRF Official on Duma Work

944F1164D Moscow GLASNOST in Russian
No 11, 8-14 Jul 94 p 5

[Interview with Viktor Zorkaltsev, deputy chairman of the CPRF [Communist Party of the Russian Federation] Central Executive Committee, chairman of the Russian State Duma Committee on Affairs of Public Associations and Religious Organizations, conducted by A. Veretennikov: "Communists of the State Duma Report"]

[Text] ...In the House of Culture of the Tamansk division, that very same one which covered itself with indelible "glory" near the House of Soviets in October of last year, a communist spoke. He was Deputy Chairman of the CPRF Central Executive Committee and chairman of the Russian State Duma Committee on Affairs of Public Associations and Religious Organizations V. Zorkaltsev. He spoke out with a report on the affairs of the CPRF faction in the duma.

[Correspondent] Viktor Ilyich, how did you feel there?

[Zorkaltsev] Generally, normal. After all, one cannot judge a large military subdivision with a rich and heroic history

by a handful of scoundrels. Especially since there were also veterans of the division, and family members of military servicemen, and simply local residents in the hall. I might add, the Tamansk residents themselves invited me. The report and question-and-answer session lasted 3 hours. Obviously, there was a discussion about the October events. And do you know what is interesting? The people believe that if the army had said its weighty word in time, there would never have been a storming of the House of Soviets.

[Correspondent] In other words, if the army had stood up firmly on the side of the Constitution and the Supreme Soviet of Russia?

[Zorkaltsev] Well, obviously. But in general the Tamansk veterans, as well as the present-day soldiers, are concerned by the fact that they are ever more obviously being inclined toward opposition against the people. I share the opinion of those who believe that both the Tamansk and the Kantemirovsk divisions, like the former division of F. E. Zderzhinskiy, must be renamed, because they are being changed over from combat units to guard subdivisions.

As for the events of October of last year, I believe that we should publish complete lists of those who have been decorated for participating in the reprisal against the Supreme Soviet, as well as the names of those who manned the tanks. After all, the whole world was in shock. One of the representatives of the Polish opposition, I recall, announced that in their country they would not have found a single tank which would shoot at parliament.

[Correspondent] Please, Viktor Ilyich, tell us a little more about these reports. Why did the communist faction suddenly decide to conduct them, and how are they organized?

[Zorkaltsev] Not suddenly. From the moment of formation of the Communist Party of the RF, it was decided that all its members would participate in party conferences, in conducting party meetings, and would report to the labor collectives and meet with voters in the districts. And so, we are conducting such meetings now. Usually this is half an hour for the presentation, and then a question and answer session.

We began on 23 June with a report to the voters of Moscow and Moscow Oblast. This is about 16 percent of all the voters of Russia. We prepared 2,500 copies of the report ahead of time, and said frankly what we were able to accomplish, and what we were not. The meeting in the Parliament Center of Moscow was most informative. Then we went to the electoral districts. I, for example, have already given my report in Kashir—at the administrative center, at the metal plant and at one of the agricultural enterprises. This evening I will be in Mordovia, and then I fly to Kemerovo. All 89 regions of Russia have been assigned to various deputies of the faction, to be covered by the middle of July.

[Correspondent] What do these reports give to the deputies themselves?

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[Zorkaltsev] We also absorb information and, so to speak, "synchronize our watches."

[Correspondent] And can you already draw some conclusions?

[Zorkaltsev] Yes. Clearly, the attention of Russians to the work of the Duma is increasing. Moreover, in spite of the numerous efforts, especially in the mass media, to present the Duma as a worthless and weak body. Nevertheless, many Russian citizens see in the Duma's activity the only possible protection of their interests. I will note a qualitatively new phenomenon: Today a state approach prevails among the people, and not just the interest of the average man. Russian society, I would say, is spiritually maturing. Often people will say: "I did not go to vote, but next time I will surely go." In other words, our citizens are gaining a heightened sense of their own responsibility for the membership of the Duma and for state policy.

Secondly. The voters have grown up in their understanding of the mechanisms of democracy. There are fewer emotional outbursts, although, you must agree, the reasons for these have even increased today. Questions are posed with a knowledge of the matter. In short, Russian society is assimilating democratic principles.

Finally, the third thing. This is the practically universal non-acceptance by the majority of the population of the policy which is currently being implemented in the country. Specifically, people have understood that voucher privatization is a fraud. They have not become owners. And here the question arises: Who is buying up the shares, and where is the money coming from?

[Correspondent] Today, probably, we may already say what questions worry voters the most?

[Zorkaltsev] Perhaps one of the most frequently asked questions is the one concerning the attitude of the communist faction toward the budget. Yes, we supported it—despite the fact that it contained, from our standpoint, some shortcomings. You must understand: The country has lived for 3 years without a budget. The government spent money as it pleased. Now, however, having adopted the budget, we have gained an instrument of control over the government. And it, the government, bears responsibility article by article. Let it show what it is capable of—in the agrarian sector, and in the implementation of social policy.

[Correspondent] Evidently, an analysis of the questions suggests to the deputy-communists some first priority steps in the Duma?

[Zorkaltsev] Obviously. Today the task is to stop privatization. At least until Chubays reports on its results. However, already now it is clear: Thanks to Chubays and his program, we have been deprived of the foundation—that property which was the guarantor of public consumption funds. Speaking in simpler terms, education and public health, minimal payment for housing—all this will now quickly and sharply escalate in cost, because there is no longer an economic foundation which previously provided for all of this. Chubays has liquidated it with his papers.

This is a great deception. I might add, even the loud hubbub over the budget was staged, in my opinion, with a singular purpose in mind—to distract people from the main thing, to cover up the privatization swindle.

In general, however, many of the directives of voters coincide with our outlines. For example—the question of the attitude toward OMON [Special Purpose Militia Detachment]. People are very worried about the fierceness, lack of spirituality and, we must say directly, the anti-popular directionality of these subdivisions. The State Duma has formed a commission on investigating the activity of OMON. These subdivisions, created at one time to fight organized crime, have currently become deformed. Today this is a frightening organization, which has a clear brown tinge to it and serves the interests of the criminal bourgeoisie. It must be disbanded.

Another example are the persistent efforts of the communist faction to pose the question on denunciation of the Belovezhskiy agreements, which reflect the sentiments not only of Russians, but also the majority of Soviet people. We have three times introduced this proposal at the meetings of the Duma. And each time it gains more votes. We will do everything possible to liquidate the consequences of this criminal plot. This, of course, does not mean that the USSR will be formed right away. But truth and juridical legality will be restored.

Shenin on Communist Priorities

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[Speech by O. S. Shenin, leader of the UCP-CPSU [Union of Communist Parties-Communist Party of the Soviet Union]: "On the Tasks of the UCP-CPSU Under Conditions of Deterioration of the Political and Socio-Economic Situation." Place and date unknown].

[Text] Honorable comrades! Today's Plenum of the Council of the UCP-CPSU has particular significance. The political and economic processes on the territory of the USSR are beginning to take on new qualitative traits which demand of us, communists, a change in our tactics, and the introduction of significant corrections.

I. Socioeconomic processes

In practically all the republics of the Union, the logic of the economic course of the ruling regimes has mercilessly brought them to the limit when it is useless to engage in demagoguery about the millions of property owners and the prosperity of all the people under the conditions of a civilized market. On the agenda (including also in Russia) is inevitable bankruptcy of enterprises, their buyouts by foreign and local big-wigs of speculative capital and, as a result, huge unemployment and the actual suffocation of domestic industry.

The stage of division of the republics into zones of economic subordination to foreign capital has begun. The Central Asian republics are becoming the sphere of interest of the oil magnates. Turkish and Iranian capital is knocking at the gates of the republics of the Transcaucasus. The administrations of eastern regions of Russia are

bringing matters to an unhindered distribution of foreign capital. On the whole for Russia, Ukraine, Belorussia and Moldavia, a mechanism is being created for the comprehensive mastery of the leading positions in their economy by powerful financial-industrial groups from the USA and Western Europe.

For an ideological justification of such a situation, the ideological machine has already been launched to suggest to the popular masses that far from everyone can be an owner, and that they must reconcile themselves to the situation where an insignificant minority has everything, while the majority has nothing. The "theory of the middle class," comprising the majority of the people in the capitalist countries, which was so fashionable in recent years, has been totally removed from propagandistic use, and in its place the conception of the elite minority and the lumpenized majority is gradually being introduced in the most unconcealed fashion.

And it is no wonder that, laying the groundwork for the rush toward a strictly elitist society which is to occur very soon in the future, Mrs. Bonner recently announced that "there has not yet been any shock in this country."

Yet the coming shock will not be perceived by the workers with indifference, and therefore class struggles are inevitable. Here communists must realize that in the future class struggles, not all the workers will find themselves on the same side of the barricades.

The realization by the ruling regimes of monetaristic conceptions of changes in society and the interest of the foreign "conductors" in transforming the country into their raw material appendage will create more favorable conditions of existence for workers engaged in the raw material and fuel sectors (except coal) of industry. There is no doubt that the authorities will provide for "extra feeding" of the transport and power workers. Therefore, the task of the communists in work with representatives of these categories of workers will consist of developing in them a sense of class solidarity, explaining to them the fact that their comparatively bearable situation will still in no way compare with the position of those who will get rich off of the fruits of their labor.

It is also clear that now, after the disillusionment of the intelligentsia with the "democratic transformations," which a large part of them selflessly supported, this intelligentsia can and must be an ally of the workers.

Much is said today about the sad state of science, culture, education and public health. In the nearest time this situation will get even worse. Striving to soften the consequences of the inevitable class demonstrations of workers in various sectors and territories, the regime will try to "pour over" to them part of the already paltry budget funds intended for the social sphere, hoping for the traditional patience and lesser organization of white-collar workers and the intelligentsia.

We must be ready for this maneuver. And, through our rather numerous organizations, we must do everything possible to see that the working class supports these strata of the population.

Of course, everyone present here understands that when we speak of support by the communists of the workers' struggle for their rights, regardless of what our attitudes may be toward the existing constitutions and laws, we are referring to legal forms of struggle.

Aside from our natural social base—the laborers, white-collar workers and intelligentsia, we cannot forget about the work among managers of enterprises. Of course, many of them, who at one time were approved for the bureaus of our party committees, did not withstand the test of the "golden calf," and, as recent sociological studies have shown, have broken not only with communist ideology, but have also become the main enemies in the eyes of the workers. Many... But by far not all.

In all regions of the country there is a strong interstratum of the "red directorate," which in recent times not only by moral, but also by purely economic considerations, defends the interests of the workers because it sees that the enterprises into which they have put their life and spirit are being threatened with destruction. They have already become disenchanted with the empty promises of leaders such as Volskoy in Russia, and in recent times have intensively pursued contacts with the communists. We must make use of this rush. We cannot and do not have the right to give up our economic management cadres for immolation by anti-popular regimes. They must become that nucleus from which, after the inevitable collapse of the present regimes, the rebirth of our industry will begin.

II. Political processes.

The processes in the socio-economic sphere dictate to the authorities the implementation of a certain policy. The elections in Belorussia and in Ukraine, the political situation in the Transcaucasus republics and in the republics of Central Asia synonymously show that the peoples are divided, that the regimes, in order to retain power, should not hold any elections, or should hold them in a purely decorative manner, rather than be left one on one with the real expression of will of the people. Well, and in Russia the October events of 1993 synonymously demonstrated that for the "popularly elected" one and for the forces standing behind him, there are no barriers in the desire to hold onto power.

From this it follows that the socio-economic situation over the entire territory of the Union will dictate to the authorities the transition to the most reactionary, most dictatorial forms of retaining their supremacy, and they will necessarily opt for these forms. In this plan, of course, the unification of practically all the so-called independent states in the NATO program, "Partnership in the Name of Peace" as well as the planned joint exercises of the peacekeeping forces on the territory of our country, are no accident. In order to handle the irrefutable popular indignation, they will need not only their own bribed bayonets, but also the reliable foreign ones.

In this situation, the communists are faced with the task of continuing within the framework of the law the propaganda and agitation work with officers of the army and navy, the MVD [Ministry of Internal Affairs], and the FSK

[not further expanded] at their place of residence, to explain to them the real state of affairs and that role which the authorities are relegating to the army in the upcoming events. I am sure that the experience of recent years has led many officers and generals to a correct understanding of the fact that behind the once popular thesis "The army is outside of politics," there lies deception.

Evaluating the basic tendency in the political process in this way, we must not, of course, approach it in a linear fashion. We cannot exclude the possibility, and this is quite clearly seen in the example of Russia, that the authorities may try to play other political cards before the establishment of the dictatorship.

One of them may be the social-democratic card. All of you remember that in the late 80's A. Yakovlev and the "reformers" who surrounded him in the party spoke out with the idea of dividing the CPSU into a democratic (read - bourgeois) and social-democratic factions. Today there is once again talk of creating such a two-party system, for example by M. Gorbachev, G. Burbulis, and even the President of the RF [Russian Federation] himself.

The idea here is simple. Suddenly they will be able to "wait out" the people's anger with the aid of the social-democratic state policy and the appropriate rhetoric, and as a result still pull our people into the capitalistic "heaven." After all, it is well known that social-democracy has always been merely a smokescreen for bourgeois attitudes, a unique temporary shock absorber of public protest against their inhumanity. Under our conditions, however, this truth will apply to an even greater degree, since the people know all too well those who are today trying to play the social-democratic card.

Of course, as the defenders of the interests of the workers, we must support those measures which will be adopted under the flag of social-democratization for the purpose of easing the situation of the people. Yet at the same time we are obligated to explain to the people that all these are necessitated measures of the regime for the purpose of providing guarantees of the country's transition to the capitalist path of development, and that this policy which is being implemented by the authorities and some of its volunteer helpers from the "opposition" will not give the working man anything in the future.

In the practical plane, we must show people using the example of the countries of Eastern Europe, (where at the parliamentary elections the left-centrist forces even gained victory), the illusory nature of their hopes for social-democracy, which is used as an intermediate step in the big game.

To the comrades in our ranks who appeal, remaining, as they say, on the soil of realism, to accept social-democratic slogans, we must say: "Dear comrades, to be a realist is, first of all, to see who and what is being concealed behind the social-democratic tendencies today, and secondly, to understand that if temporary defeat of socialism in our country after 70 years has proven to be a reality, then perhaps its rapid restoration after several years of capitalistic bacchanalia can prove to be no less of a reality."

Aside from the social-democratic card, the ruling regime may also use the national cards.

These cards are very tempting, since they may gather under their banners strata of society which, due to their economic position, are divided by opposing interests. In all the republics, the regimes have made good use of the national card. Now the time has come when even Mr. Yeltsin has begun resorting to patriotic rhetoric, and the true friend of the USA, Russian Minister of Foreign Affairs Kozyrev, already publicly disagrees with certain actions of his real patron in the world.

Nevertheless, most probably the national-patriotic card may be used as a reason for establishing the dictatorship which the regimes so desire.

In this plane, we cannot help but express concern for the creation, for example, in Russia of all kinds of national-revolutionary, patriotic-socialistic and similar movements and fronts.

Knowing the provocational essence of the ruling regimes, we cannot exclude the possibility of their using these movements for compromising future public demonstrations and application of the most "decisive" measures to their participants. The presence of words and concepts borrowed from the arsenal of fascist ideology in all its manifestations in the program principles and slogans of such organizations creates the appropriate conditions for this. Therefore, we, the communists, must be vigilant and not "fall" for anti-regime phraseology of those who may for some of us seem to be fellow travellers.

I believe that we, the communist-internationalists, manifesting real concern for the position of the nation, including, of course, also the Russian, cannot sink to flirting with the nationalist movements even out of tactical considerations. All too often in history such movements prove to be pawns in someone else's game.

The topic of possible political cards which may be played by regimes on the path of establishing their reactionary dictatorships gives us the opportunity to speak about the opposition in general, and about our potential allies in particular.

The exhaustion by the regimes of the radical-liberal course of transformation of society implemented under the leadership of the Western Countries, their readiness to change over to reactionary, dictatorial forms of administration have led, in our opinion, to a new quality of the political process.

It is characterized by an ideological and theoretical definition of all the political forces participating in this process. The proponents of the regime, about which we have already spoken, cast off the demagoguery and populism which were earlier inherent to them and openly announce their social base and their class interests.

For example, the new party, "Democratic Choice of Russia," with which the presidential command is openly solidarizing, speaks directly about itself as of the defender of the interests of the entrepreneurial class and demands

the fastest possible introduction of bankruptcy of enterprises, demonstrating total disregard for the fate of the working people. This same party is not ashamed to openly delineate itself from the movement (from which it generally emerged), "Democratic Russia." What can you do—these are different times and different games.

According to this idea, the same must happen also in the opposition movement. It is clear that the time is approaching when unity in non-acceptance of regimes must be replaced with unity centered around maintaining that which the opposition counterposes to these regimes. However, here the opposition once again lags behind its political enemies, and is no hurry to part company either with the founders or, where this is absolutely necessary, with the heroes of yesterday! And in some places and some things it even opts for cooperation with the regimes, thereby rendering them invaluable services.

I am convinced that the time has come when on all the territory of the Union it is necessary to begin formulating the principles of the future political system of a unified multi-national state, a system which will be formed from parties which have not marred themselves by cooperation with the anti-popular regimes, which will rely on the realities of the end of the 20th century, the objective requirements of society's transition to the post-industrial stage of development.

Those opposition organizations and movements will probably have to enter such a system which found the courage specifically this year—1994, to understand and record the onset of a new stage in the political process, and to introduce the necessary corrections into their activity. The criteria for such corrections, most likely, must be: The rejection of agreement with regimes on principle questions; the clear definition of their social base; the desire to build a unified union state according to the principle of "Union of peoples, federation of territories"; the rejection of cooperation with nationalist organizations as tools of provocation on the part of the authorities; supremacy in the future state of production economic indicators over macro-economic; comprehensive support of high technology productions—the principles of the economy of the 21st century; acceptance of geopolitical responsibility of the future union state for the territory on which the Russian Empire and the Soviet Union were located; the leading role of the state form of ownership; comprehensive support of the Armed Forces and the law enforcement agencies as guarantors of state security; development and strengthening of traditional Russian and Soviet spiritual values, and a corresponding way of life.

These, in my opinion, are the principles which may be placed at the foundation of the new **meaningful unity** of the opposition, which our Union of Communist Parties may fully enter.

III. Situation in the communist movement.

On 21-22 May of this year, the coordinating meeting of the communist parties of states formed on the territory of the USSR was held in Moscow. Communist party delegations from Azerbaijan, Armenia, Belorussia, Georgia, Kirgizia,

Latvia, Lithuania, Moldavia, Tajikistan, Ukraine, Uzbekistan, the Dniester region, the Communist Part of the Russian Federation, the Russian Communist Workers Party, the Union of Communists, the Communist Party of Tatarstan, and the Communist Party of South Osetia took part in the meeting, with each delegation headed by its leaders.

The participants in the meeting, which had no analogs in recent years, adopted important decisions for the unity of the communist movement.

The correctness and timeliness of the decision of the 29th CPSU Congress on reorganization of the CPSU (prior to re-creation of the USSR) into the Union of Communist Parties-CPSU were acknowledged. The communist parties confirmed that they are the component parts of the communist movement on the territory of the USSR.

The UCP-CPSU Council, in conjunction with the authorized representatives of the parties, were charged with the task of developing general program and charter principles and submitting them for review by the 30th Congress of the UCP-CPSU.

We should also consider it a positive fact that the parties have recovered from the illness of defeatism and adaptation. Those who wished to be present at the "furchettes" and "presentations" of the "civilized opposition", to have respectable staff headquarters and other things long ago went over to the socialists and social-democrats.

At the federal and regional elections the communists were able to get many of their proponents elected to the representative organs of power.

Sensing the full danger of their position, more and more representatives of the present-day executive power are opting for contacts with the leaders of the parties.

Without exaggerating, today we may say that gradually, the task of preparing for the inevitable realization of power is arising before us in full form. Appropriate studies and approximations have already begun in our staff headquarters, but they must be intensively increased.

It is necessary also to solve a number of qualitative problems. In first place, I would put the problem of work with the youth. There is no doubt that our veterans did much in a time which was difficult for the communist movement to see that it retained its huge ideological and cadre potential. Honor and glory to them for this!

Yet it is entirely clear that the future is impossible if the young people do not follow us, the communists. And they, I must admit, are for the most part still under the influence of the bourgeois lifestyle. In opposition to the casinos, night clubs, video films, and entertainment shows, we have not yet counterposed the values of our way of life, the values enriched by the scientific and technical capacities of our time.

But this we can and must do. The time has come when communists may fully undertake the celebration of youth holidays and meetings, renew the traditions of youth marches and evenings. I am convinced that Tolstoy and

Sholokhov, Chaykovskiy and Shostakovich, Savrasov and Glazunov, Pudovkin and Bondarchuk cannot be defeated by authors and heroes of low-rate detective novels, horror films, rock music and advertising. The truly inexhaustible spiritual capital of the nation must once again become our ally in our work with the youth.

This is a reserve which we must utilize to its full capacity. And here our teachers play a great role. I believe that on the threshold of the new school year the communists must address the teachers with an appeal which the authorities cannot publicly condemn—to make each school day, each lesson, a battle for the humanism, patriotism and high spirituality which is inherent in our people.

And in this, I am convinced, we will be supported by millions of people—teachers and parents. Everyone who thinks about our future.

Furthermore, we must elevate to a new level the quality of scientific studies of current and prospective processes by our social scientists, especially considering the fact that the time is not far off when we will have to exercise the functions of power. And the first thing for which we must be prepared is for activity under conditions of a difficult social structure.

Socialism, as all of us have often repeated, by its very nature is the world's first scientifically managed society. However, we must admit that the real socialism which was built in our country largely ignored this principle, although the store shelves were filled to overflowing with literature on the scientific management of building socialism in the USSR. Not to mention the number of dissertations on this topic.

Recently I read in a book of recorded conversations with former CIA Director Casey, "Admissions of the Chief of Intelligence," about the following case. When Casey assumed the post of director in the early 80's, the report to him about the situation in the USSR began not with data on the construction of some atomic underground facility somewhere in Severodvinsk, but with a statement of the fact that "Soviet society is for the most part entrenching itself, while 3,000 families are turning into the elite and wish to remain so in the future."

This is a clearly obvious understanding of that which may lead to the disintegration of a country, i.e., a manageable process in accordance with the goals of the USA, an understanding based on a scientific approach to society, and not just data obtained through investigative means.

And what was happening at that time in our science? Statements about movement of society toward social uniformity, a union of the working class, peasantry, the working intelligentsia, between which there exists total harmony. Of course, such an understanding of the social structure of society could not be the basis for its real and scientific management on the part of the Communist Party.

And the party paid dearly for such an attitude toward scientific knowledge and scientific management.

We cannot repeat this mistake. In the near future, we will have to act under conditions of significant political and social diversity, which we must clearly understand and take into consideration in our policy.

IV. Party and integration processes.

We are a communist organization which has never recognized the forceful disintegration of the USSR. For us, the Union continues to exist, and we support in every way the activity of all organizations which speak out for its fastest possible restoration.

Therefore, we cannot keep from expressing our attitude toward various types of initiatives which in recent times have poured out as if from a horn of plenty regarding the possible scenarios of integration processes.

The criminality of all that happened in 1991 has already long become clear even to the "heroes of the Belovezhskiy plot" themselves. They see the objective course of the process and themselves give certain signs of the fact that, supposedly, they are ready to head up the process of integration now. Perhaps it is clear that the peoples will not believe them, and therefore these leaders have no chance, no matter how hard they try.

Much more dangerous are the efforts on the part of the democratic leaders of the second echelon to control the integration processes.

First of all, it is clear that they are not speaking of any kind of union state.

Secondly, these efforts represent what is in essence the insurance of liberal courses against the anger of the popular masses which, they hope, they will be able to "exchange" for the formation of an amorphous state of the confederative type.

The task of the communists is to explain to the masses the essence of these plans held by the democrats, not allowing the latter to gain the political initiative in the integration processes.

The initiative of President of Kazakhstan Nazarbayev on formation of a Eurasian Union stands by itself.

It is a positive indication that he proposes the creation of supra-national bodies. This is a step in the right direction. However, we cannot help but note that Nazarbayev's plan does not provide for real integration of the republics, implementation by them of a unified policy on principle questions, and presupposes the retention in power of the republic elite clans who are robbing their peoples. Therefore, this plan too is unacceptable for us.

We must explain to the masses that the economic, geopolitical and simply political situation in the republics is such that the only way out of it is the re-creation of a unified union socialist state. Only such a state, oriented toward the 21st century, will be able to ensure security and development of all peoples of our country and to restore the geopolitical balance in the world.

And of course, the leading force in just such an integrational process may be only one force—the communists.

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Only they have really, in practical application, demonstrated an ability to build and manage such a state. Only they have remained true to its ideals in the period of confusion. I am sure that the people will evaluate this fact.

V. Certain tendencies of world development

The peoples will also evaluate the fact that today, in the difficult situation of our domestic life, we have not forgotten to warn them about the dangers emanating for our country from the outside world.

In recent years, we were so wrapped up in our domestic problems (and "the powers that be," through the mass media which was obedient to them, created an image of a surrounding world harmonic with the country) that we began to pay less attention to the processes beyond the boundaries of our borders. Yet these processes have a direct effect on the situation in our country, and not to take them into consideration in public work is no longer possible.

The unification of Europe with a strong unified Germany inside of it, the inclusion of the countries of Eastern Europe in the NATO program, "Partnership in the Name of Peace," the unceasing conflict in the Balkans, the fanning of tensions on the Korean peninsula and the Near East, the ever expanding territorial claims to our country and provocations on the borders of the USSR synonymously indicate that a new re-division of the world is being prepared and partially implemented, and this is—the third world war.

And this is natural, since the laws of geopolitics are inexorable. The departure from the world arena by one of the mightiest powers—the Soviet Union, and moreover a socialist power, has created an extremely unstable world. A world in which, speaking in traditional Marxist language, the old inter-imperialist contradictions have been superimposed onto the realities of a new age, with its global contradictions.

In this world, Russia, the USSR, is given a particular role.

On one hand, the republics of the Union will inevitably become the object of division and trade, and on the other—pawns and cannon fodder in someone else's game. Much of what is going on in our country today is explained by these processes, and the task of the communists consists of bringing the true meaning of these processes to the consciousness of the masses.

Women must understand that if the current policy is continued and if the present-day regime is strengthened, their husbands and children will die in countless conflicts and, we cannot exclude the possibility, in wars.

Military men must understand that, with the current policy, they may enter into conflicts unprepared, in the role of auxiliary units of the first echelon, for whom certainly not a heroic death is prepared.

Managers of territories and directors of enterprises must understand that they will not be able to organize a normal life and work, since all ties and communications will be terminally broken off.

All this is not the fanning of apocalyptic sentiments. It is one of the very possible scenarios for the development of events, which may be superimposed onto the domestic scenarios about which we have already spoken in this presentation.

We, as the most massive political organization on the territory of the USSR, must express our extreme alarm at the level of the current combat readiness of the Armed Forces and the low professionalism of all known conceptions prepared for the present day for ensuring the security of our country.

We are ready to present our conception even to the current regimes (since the security of the state stands above it). At the same time, we are warning the leadership of the Armed Forces of Russia of its inevitable personal responsibility for not taking those measures today for ensuring the defense capability of the country which the tendencies of world development demand.

In conclusion, I would like to emphasize once again: The social-economic and political situation on the entire territory of the USSR has taken on new qualitative traits. The time is inexorably drawing near when communists will once again participate in the management of the union state, even if before this we have to endure a period of reactionary dictatorships.

This inevitable fact demands that we shift all of our work over to the practical plane.

Union of Communists Holds Plenum

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[Unattributed article: "Informational Report"]

[Text] On 9-10 July 1994, the regular Plenum of the Soviet of the UCP-CPSU [Union of Communist Parties-Communist Party of the Soviet Union] was held in Leninskiye Gorky. Participating in its work were 58 members of the Soviet and 5 members of the UCP-CPSU Control-Auditing Commission, the leaders of republic communist parties and movements, representatives of the social movements "Congress of USSR Peoples," "Soyuz," the Union of Officers, the Komsomol and the Russian Komsomol. The plenum participants observed a moment of silence in honor of the memory of the leader of the Korean people and the Labor Party of Korea, Il-song Kim.

The party soviet accepted the Communist Party of the Russian Federation, the Communist Party of Ukraine, the Unified Communist Party of Georgia and the Communist Party of Azerbaijan into the Union of Communist Parties-CPSU.

At the present time, there are 14 republic communist parties from 11 USSR republics in the UCP-CPSU.

The plenum discussed the tasks of the UCP-CPSU under conditions of the deteriorating political and socio-economic situation on the territory of the USSR, and reviewed the questions of preparations for the 30th Congress of the UCP-CPSU. UCP-CPSU Soviet Chairman O. Shenin and UCP-CPSU Soviet First Deputy Chairman K.

Nikolayev presented speeches on these questions. 29 persons participated in discussion of the speeches. The speakers shared the experience of unification of the communists, interaction with the patriotic forces and organization of party work in the labor collectives.

A decree was adopted on holding the 30th UCP-CPSU Congress in the first half of 1995. The tasks of the UCP-CPSU on restoring the USSR will be discussed at this congress, and the program and organizational principles of the Union of Communist Parties-CPSU will be defined.

The statements, "In defense of V. I. Lenin," and "On inter-ethnic relations on the territory of the USSR," were discussed and adopted.

The party soviet appealed to the parliaments of the former USSR republics with a demand to repeal unlawful statutes prohibiting the activity of primary organizations of the communist parties in the power structures and in the labor collectives of state enterprises and institutions.

In the course of resolving organizational questions, the report by the chairman of the KKK [not further expanded] UCP-CPSU, T. Mudzhiri, on the position of the "Union of Communists" party was heard, and specific measures were outlined for strengthening unity within its ranks.

The plenum reviewed the activity of Deputy Chairman of the Party Soviet A. Prigarin. Recently, in spite of efforts by the politispolkom [political executive committee] on uniting communists into unified republic parties, A. Prigarin embarked upon the path of breakup of the Moscow city and rayon organizations of the CPRF [Communist Party of the Russian Federation] and other parties. A. Prigarin was repeatedly warned about the inadmissibility of such activity at the meetings of the Politispolkom, as was twice reported in the weekly GLASNOST (Nos. 4 and 9 for 1994). A. Prigarin's activity on breaking up the communist forces became especially intolerable after the decision of the 2nd All-Russian Conference of the CPRF on its entry into the UCP-CPSU and the coordinating meeting of leaders of communist parties on 21-22 May in Leninskiye Gorki. An announcement was adopted at this meeting which "condemned any efforts to split the communist parties and their regional organizations and to create communist multi-centrism. It was recommended to the communists to unite into singular organizations for the purpose of strengthening influence among the workers, peasants and intelligentsia. Questions associated with varied interpretation of theoretical problems, tactics and strategy of practical actions can and must be discussed by the parties at intra-party discussions with adherence to the standards of party ethics."

Having placed his signature under this announcement on 22 May 1994, on 2 June of this year A. Prigarin continued the formation of yet another Moscow gorkom [city committee] under his leadership, which was a gross violation of party discipline.

In the course of the discussions on this question, A. Prigarin submitted his resignation from the Politispolkom of the UCP-CPSU Soviet, which was accepted. Here, the plenum participants were guided by their decision, "On

the tasks of the UCP-CPSU under conditions of the deteriorating political and socio-economic situation on the territory of the USSR."

The plenum confirmed the desire of the communists for unity and continued consolidation of the communist movement on the territory of the Soviet Union.

ECONOMIC & SOCIAL AFFAIRS

Formation of Financial-Industrial Groups Examined

944E1154A Moscow *EKONOMIKA I ZHIZN* in Russian No 33, Aug 94 p 1

[Article A. Kalin, deputy chairman of the Russian State Committee on Industrial Policy: "Financial Industrial Groups: There Is a Future for Them"]

[Text] Financial-industrial groups (FIGs [FIG]), whose establishment process has already begun, should give a new look to the Russian industrial complex. At the request of the editorial staff, A. Kalin, deputy chairman of the Russian State Committee on Industrial Policy, tells about the initial experience and the problems in forming FIGs.

One of the basic advantages of FIGs consists of the fact that, as a result of the integration of the economic, organizational, technological and intellectual potentials of their participants, practical mechanisms are provided for self-financing and for increasing investment resources for new, highly efficient industries. This is precisely why FIGs can become a real tool for the realization of the structural policy's priorities and the development of promising sectors and industries, especially those geared toward exporting, and for the realization of the achievements of scientific and technical progress and of ecological programs. The concentration in these groups of significant financial resources and industrial potential makes it possible to implement impressive investment projects for the development and production of highly efficient and competitive products and for ensuring deliveries for the most important state needs. It is impossible, of course, to see in the establishment of FIGs a panacea for all our troubles. This is an economic policy tool which we must still first create and then learn to use skillfully. Undoubtedly, the FIGs have a great future, but poor organization and haste can lead to significant costs.

The FIG formation process is proceeding in several directions. Thus, they are being established in accordance with Presidential Edict No 2096, which was adopted in December of 1993, voluntarily on the basis of a contract process and market forms of consolidation of blocks of stock, as well as by directive in the instance of the unification of "public" enterprises. At the same time, as a rule, there is preliminary careful planning of all the interrelations in such groups, of the goals of their activities and the prospects. This one direction, so to speak, is *de jure*. Other directions are associated with the already on-going integration of financial and industrial capital and economic formations which have arisen in practice (*de facto*). The financial-industrial groups are being established, for

example, during the privatization process, in which bank capital is actively assisting, and are being developed on the basis of large industrial structures, as well as of new structures which have emerged in the course of the formation of market relations, for example, like the diversified concern, Germes [Hermes]. One more path is associated with the possibility of forming FIGs on the basis of the large economic structures established at one time by a decision of the president or the government, such as Gazprom [gas industry] and Lukoil.

The registration of the financial-industrial groups has been entrusted to the Russian Goskomprom [State Committee on Industrial Policy]. At present, four such groups have already been registered. They are Uralskiye Zavody [Ural Plants] (Izhevsk), Sokol [Falcon] (Voronezh), Dragotsennosti Urala [Ural Gems] (Yekaterinburg) and Ruskhim [Russian chemical] (Moscow). With the systematic assistance of the Russian State Committee on Industrial Policy, around 10 FIG projects are being worked out. More than 40 proposals for the establishment of a FIG have also been submitted. For example, a group is being formed on the basis of the Magnitogorsk Metallurgical Combine, VAZ [Volga Motor Vehicle Plant] and KamAZ [Kama Motor Vehicle Plant]—the Volga-Kama Motor Vehicle Group, and the group of Nizhegorod Motor Vehicles, Eksokhim [exochem] and Sibir [Siberia].

The process of establishing the FIGs is proceeding with difficulty. First, there is the "piece-work" production. Second, the mass insolvency and the critical economic situation are having a telling effect. Third, the financial structures have not yet switched to long-term investments in production, although their interest in cooperation with industry is growing.

In the State Committee on Industrial Policy, a great deal of attention is being paid to the FIGs. The Russian Government's Commission on Operational Matters has drafted and approved A State Industrial Policy Concept for the Years 1995-1999, where a special section has been devoted to these matters. Provision has been made for state support of the establishment and functioning of FIGs which ensure the effective structural reorganization of industry and the implementation of new investment activity mechanisms. These groups should be established, first and foremost, on the basis of technologically and cooperatively linked industrial enterprises which produce products supported by effective demand and competitive in the foreign and domestic markets.

We are talking, first and foremost, about the realization of the acquired scientific and technical potential of the high-technology industries, an increase in the production of products from the thorough processing of fuel, energy and raw material resources, an increase in the export orientation of defense enterprise production and the establishment of the needed organizational and economic prerequisites for consolidation in the world market. Provision has been made for the establishment of new technological chains and financial streams which contribute to the accelerated and economically efficient reconfiguration of the established scientific and production activities. This

will produce an opportunity to implement a reorientation of resources from low-efficiency industries to industries for the production of competitive products, as well as products which help in overcoming the country's backwardness in the foremost fields of science and technology.

The FIGs are being geared toward the realization of investment projects which correspond to the economy's priority spheres which have been determined to be the primary ones for the state structural policy. The priorities include the development and improvement of the status of communications and information science, the development and production of technically improved rolling stock and the introduction of new information technologies and new types of communications services. There are also oil refining and petroleum chemistry (including the renovation and modernization of oil-refining industry enterprises), the acceleration of the exploitation and development of new oil and gas fields, the introduction of new technologies for increasing the pools' oil and gas recovery and the development of the production of chemical products to replace imports. There are also the development of the processing structures of the APK [Agro-Industrial Complex] and the development of modern manufacturing equipment to provide an increase in food resources and stabilization of agroindustrial production. It is also possible to name the development of the medical industry and the production of diagnostic equipment, vitally important medications and medical equipment for the treatment and prevention of the most widespread diseases. The FIGs are desirable for the development and re-equipping of housing construction and the saturation of the market with good-quality building materials. The activities of FIGs in a number of directions in the metallurgical complex appear promising.

In FIGs, the use of holding and trust relations as the bases for the organizational and economic interaction of a group's participants with the main financial-industrial company is promising. We have prepared recommendations for the drafting of projects for the establishment of groups which make it possible to increase the efficiency of joint activities. Thus, it is important to make an assessment of the product market, the return on investment projects, the employment prospects and the ecological safety. The development of a FIG project usually takes from 3 to 6 months.

On the instructions of the governmental Commission on Operational Matters, we are now preparing proposals on how to simplify the procedure for establishing FIGs. At the next meeting of the Interdepartmental Commission for Assisting the Establishment of Financial-Industrial Groups, a set of measures will be examined, which we proposed for stimulating the establishment and activities of FIGs. In our opinion, it is advisable to relax, for example, the statutes pertaining to the cross-ownership of stocks, which is currently prohibited.

There are restrictions on the economic sizes of enterprises which become part of a FIG, which also need to be relaxed. Thus, the Ural Plants are 19 enterprises and around 80,000 workers. In world practice, however, the number of

workers in such associations reaches 300,000-400,000. Of course, as size increases, there arise problems of manageability and political influence, which need to be regulated. It is also necessary to examine the question of how to understand these groups as a consolidated part of the economy. After all, there is still no consolidated reporting for these groups, each enterprise does its own reporting on itself and the FIG's organizational structure is open.

With the state's assistance, FIGs should be formed, which are important for the entire economy. Possible here is the initiative of both industrialists and bankers. But, of course, a leader is necessary, as is a team full of initiative, which is interested in the realization of new promising and constructive ideas. Someone should take into his hands the process for the establishment of the group and should lead it. When there is a leader, there emerge quickly groups for technological chains or on the basis of the diversification of the activities of industrial enterprises.

If we talk about the forms of state support, then, needed first and foremost are state guarantees for the most important investment processes. In order to do this, it is advisable to establish a special guaranty fund. Our committee, in cooperation with other ministries and departments, has prepared a draft of a State Program for Assisting the Formation of FIGs, where there is a section which discloses the possibilities for their stimulation (see also the diagram).

An integrated solution of the questions of the regulation of the process for the establishment and functioning of the

FIGs may be made possible by the Law on Financial-Industrial Groups, which is being prepared by the committee. The law is called upon to generalize the practice, to establish a set of effective incentives for the unification of production, commercial and financial capital and to define a clear-cut procedure for the formation and cessation of the activities of FIGs. All the activities of FIGs should be regulated in such a manner as to prevent a new round of monopolization.

It is desirable that state support for the FIGs be rendered on a contract basis. The rights and responsibilities of the parties for the fulfillment of the assumed obligations should be indicated in the agreement between the government organ and the FIG. The agreement, a sample draft of which is being drawn up, will make it possible for both the state and large economic structures to prepare plans for their own activities with certainty.

During the process of the establishment of the groups, it is necessary to adjust the interaction with the regions and to combine harmoniously the interests of the regional and federal levels. A lot is being done here, for example, by the government of Moscow and the administrations of St. Petersburg and Nizhny Novgorod. One more important direction is the establishment of FIGs jointly with other CIS [Commonwealth of Independent States] countries.

The idea of the formation of financial-industrial groups is supported by the Russian president and government. There are many more supporters and proponents of the

Diagram of the Stimulation of the FIG Investment Process

Схема стимулирования инвестиционного процесса в ФПГ



Key:—1. Industrial Enterprises—2. Financial and Credit Institutions—3. Commercial Organizations—4. Scientific Research Institutes and Design Bureaus—5. State Management Organs—6. Contract—7. Increase in Manageability—8. Financial-Industrial Group—9. Improvement in Manageability—10. Lowering of In-House Costs—11. Improvement in the Investment Situation—12. Increase in Payments—13. Budget—14. Economic Legislation—15. Trust Management of State Property—16. Consolidated Reporting—17. Delivery Stability—18. State Order—19. State Guarantees—20. Investments—21. Investors—22. Joint Liability

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establishment of FIGs now than there are opponents. And we are trying to support their intentions and efforts with the necessary legal basis and economic incentive measures.

Government Support for Small Businesses Criticized

944F1176C Moscow ROSSIYSKAYA GAZETA
in Russian 4 Aug 94 p 3

[Article by Valentina Vedesova: "Help for Small Business—Roof For Big Intrigues"]

[Text] There are various funds: public, private, and state funds. In the United States there are 57,000 funds. Funds are established in order to help the weak: the poor, the feeble, and the incapable, be it the disabled or culture, children or... small entrepreneurship, which throughout the world is considered in need of support.

"Even our government, which at first (in its different composition) believed that entrepreneurs would pull themselves through in the economy, now agree that small business must be helped," says Yuriy Khachaturov, deputy chairman of the State Committee for Antimonopoly Policy. He is also deputy chairman of the Supervisory Council of the Fund for Support for Entrepreneurship and Development of Competition.

The government has finally adopted the federal program for support for small entrepreneurship.

In the country now there are about 700,000 small enterprises, where more than 11 percent of the working population works. It turns out that, despite taxes, customs problems, and bureaucratic obstacles, small business is tenacious of life. In industry last year the number of its subjects doubled. They produce 7 percent of the total volume of output. However, experts have calculated that, in order to significantly change the structure of the economy and to establish a competitive environment, on the order of 3 million small enterprises are needed. This requires favorable economic, legal, and organizational conditions, which the government now intends to create. One reads the program and becomes engrossed in it: How many good things, with indicated dates of execution, have been planned in it! First of all, during the current quarter, through the efforts of GKAP [RF State Committee for Antimonopoly Policy and Support for New Economic Structures] and ministries, it has been promised to complete the preparation of the draft Law on State Support for Small Nonstate Enterprises. Other necessary normative documents will be issued before the end of 1995. At the same time, centers for assistance and support for small entrepreneurship, scientific and technical "incubators" and "parks," and leasing companies will be established in Russia's various regions from Moscow to remote areas in the Far East. On the whole, not in vain did statesmen go abroad, not in vain did foreign specialists persistently hold seminars, representing a state attitude toward small business, which is accepted in the civilized world.

What convinces us of the government's serious intentions regarding our small business forces is the specific sums of money allocated from the budget: More than 190 billion

rubles are to be presented to the fund under GKAP for the needs of small business for the forthcoming two years. It seems that there is something to rejoice at, but somehow one does not believe that it can be so good in our life, which most often is rich in unpleasant surprises.

Indeed, what is the fate of the 20 billion rubles allocated last year? As I remember, at that time the entrepreneurial masses were stirred up, having come to believe that they would have a source for the starting capital. Many offered their projects, but did not receive funds. It was explained to them that either the money did not arrive, or the concept of distribution was not yet clear, and, later, that it would be allocated for priority economic directions. In fact, how to divide it among 80 regions, oblasts, and cities? However, it is not a matter of distributing money, but of seeing to it that it promotes the development of entrepreneurship.

And so, at first the RF Ministry of Finance decided to appoint a bank—the agent for the transfer of funds. The Intereconomic Bank, which was to finance small entrepreneurs, was chosen. Next something quite incomprehensible occurred with the money for small business. At first two billion were allocated, which were used to increase the authorized capital of the Intereconomic Bank as the founding contribution. It turns out that the Ministry of Finance with the money of small business strengthens a commercial bank. Perhaps in the number of personnel it corresponds to a small enterprise, but in no way does it represent a priority sector. We will only note that the former deputy minister of finance became the vice-president of this bank.

Then through the Intereconomic Bank another five billion rubles were allocated to the Fund for Support for Entrepreneurship and Development of Competition under GKAP, which seemingly were spent on 24 projects; which precisely, this is unclear; according to what principle, this is not reported. However, it is known for certain that among them there is an enterprise that is categorized as a small one formally, but, in fact, is a large state enterprise. Recently, the auditing commission has completed the check on the fund's operation. As Yuriy Petrov, executive director of the fund, reported, he does not agree with some of its conclusions.

I beg your pardon, but Yuriy Petrov was one of the managers of another fund—the Republic Investment Fund! Indeed, the press reported on the base of projects assembled by him, about their expert examination, and about the movement to foreign investors. Alas, however, the fund collapsed. What happened there is unknown to the wide public. But now its workers, together with one of its managers, were transferred to a new "territory"—in the traditions of the Russian-Soviet nomenklatura. Of course, both the first and the second funds are state, not public, funds, but the money spent on them comes from the budget, that is, from our taxes and those of our enterprises. Do we, taxpayers, not have the right to know where it went?

Nevertheless, the fund under GKAP has already been entrusted with the functions of a state client of the federal program. Consequently, the money that will be distributed

to the regions designated in the program is also intended for it. Regional funds, which are being established as mirror images of the fund under GKAP, should become its recipients in localities. The RF Ministry of Finance urgently recommends that money for them be processed through the banking system and, therefore, it is to be assumed that, following the method that has already been embodied, banks, subdivisions, or affiliates of the Inter-economic Bank will also be established in localities. Funds earmarked for small business will also be used for their establishment. Entrepreneurs, wait until money reaches you, your repair, sewing, and bakery enterprises... A long story.

I remember that another fund (much earlier than the above-mentioned one), that is, the International Fund for Support for Economic Reforms (MFER) established in 1992, which also operates successfully now, proposed a scheme for the financing of regional entrepreneurship by means of the ramified system of Russia's Savings Bank. Vladimir Nikishin, manager of MFER, attributed the merits of the establishment of a special account in local savings banks to the fact that this would accelerate the financing of entrepreneurship, enable the bank to observe neutrality in work with money, and ensure control over its use. However, another plan—which is unwieldy and tangled, but makes it possible to hold the reins of government in the center—has forced its way to life. And so, can a quick action be expected from the federal program with the sums with a large number of zeros recorded in it?

"Everything is clear," the representative of the Magadan Administration said firmly when the seminar came to an end. "It is clear that they will not give money," he amplified.

In fact, while the material was being prepared for the press, it became known from reliable sources that the RF Ministry of Finance decided to allocate only 17 billion rubles for support for small entrepreneurship in 1994, that is, one-tenth of what the program promises. In fact, however, this movement of funds does not exist yet. Even if it starts, their path to those for whom they are intended will be very thorny.

Central Bank Official on Control Over Commercial Banks

944D085A Moscow DELOVOY MIR in Russian
No 171, 8-14 Aug 94 p 4

[Article by Svetlana Gornikova: "Department of Bank Oversight Intensifies Control"]

[Text] The 7th International Conference on Bank Oversight was held recently in Petersburg. It was organized by the Bazel Committee—an authoritative international organization whose main task is to develop rules which make it possible to implement all-encompassing bank supervision. Despite the fact that the committee does not have any supra-national powers and authorities and its conclusions have no legal force, the governments and banks of all countries pay close attention to its recommendations, since ignoring them is a form of "bad taste" in the banking business.

The Central Bank of Russia, with whose support the conference in St. Petersburg was held, also intends to follow the standards developed by the Bazel Committee in its practical work. One of the most current and informative presentations at the conference was the speech by the deputy chief of the department of banking supervision, Olga Prokofyeva. Our DELOVOY MIR correspondent met with her and asked her to explain how the Central Bank resolves questions associated with control over the activity of commercial banks.

"First of all, I would like to deal with the problems which we have had occasion to encounter."

The task of supervision, noted O. Prokofyeva, is complicated primarily by the lack of development in the standards of banking legislation in Russia, adopted four years ago and hopelessly outdated today. In the sphere of licensing, the law is too liberal. Its articles provide for refusal to issue licenses due to unstable financial position of the shareholders, but in practice it is rather difficult to conduct a verification of this fact. The time of 3 months, during which the Central Bank must review the documents for registration of a commercial bank, is clearly insufficient for conducting a serious analysis of the financial condition, intentions of the founders and managers of the future bank. And the main thing is that there are practically no levers which make it possible to determine the purity of the initially invested capital of legal persons as well as individuals.

Yet, despite the difficulties, the department is taking certain steps in the direction of improving supervision over banks. The CBRF [Central Bank of the Russian Federation] has prepared instructions which define the minimal amount of charter capital necessary for founding a commercial bank. In accordance with this document, it will be reviewed on a quarterly basis, depending on the exchange rate of the ruble in relation to the ECU [not further identified]. For the present day, this minimal amount is equivalent to 1 million ECU, or 1 billion rubles (R). For operating banks, the task has been set of increasing the volume of their own capital corresponding to 5 million ECU by 1999. If the banks are unable to reach this level, the circle of operations which they may perform will be limited. They will be deprived of the right to conduct accounting and manage current accounts of legal persons and individuals, and to take deposits for a term of less than a year. For banks aspiring to a currency license with the right to open accounts abroad, the CB has introduced a limit on charter capital in the amount of 1 million ECU.

The department gives particular attention in its work to direct regulation. A draft document has been prepared which eliminates the difference in standards for banks which have grown out of special banks and for newly created ones. By the end of the year we would like to introduce a new instruction on the rules of activity of commercial banks.

It will deal with questions associated with the problems of accounting for bank participation in other structures. We know that a number of countries prohibit banks from such

participation, while in others it is permitted. For the present, we hold an intermediate position and believe it is possible for banks to participate in commercial activity of other structures under the condition of strict regulation of such actions.

A separate direction in the work of specialists on oversight is the development of measures limiting the risky involvement of public funds by banks. There are plans to create a so-called deposit insurance fund. With voluntary insurance (if the CB settles on this variant), the banks not participating in the fund will find it more difficult to attract public deposits, since they will not be able to offer the appropriate guarantees.

We know that at the basis of the market economy lies the principle which states that enterprises may become bankrupt. In our country, where private and state enterprises compete on the same market, it is ideally necessary for neither to have any competitive advantages. Although for the transitional period, evidently, their state support is necessary. In our system, only the obligations of the Savings Bank on deposits are guaranteed by the state. In this case, it is a stockholder bank, and it is allowed to perform an entire set of universal banking operations. In connection with this, we have come to the conclusion that it is necessary to urgently adopt a special law on the Savings Bank, according to which the agencies of banking oversight would have the opportunity to structure its assets so that they would be adequate to its capital. As the Federal Deposit Insurance Fund is created, we will review the question of the expediency of the Central Bank's continuing to have its share of stock in the Savings Bank.

The application of economic sanctions to banks which have been cited for non-fulfillment of the standards set by the CB is also within the competency of the department of oversight. Of the more than 2,000 institutions, almost half are such "violators," and among them there are also those who bear the burden of crediting unprofitable state enterprises. In other words, while retaining their significance as agents of state economic policy, they do not fit into the standard framework of commercial activity. It would be prudent in this situation to create a system of state commercial banks which would engage (as long as this is necessary for the state) in crediting these enterprises. This would make it possible to concentrate the credit portfolio of "dubious quality" in a single sector.

In conjunction with the Main Administration on Inspection of Commercial Banks, we have developed and introduced a new financial reportability which maximally approximates world standards. It will help to compile a more complete understanding of the activity of various banks. On the basis of this information, our specialists intend to undertake the creation of an early reaction system, which will become the guideline for action for the bank inspection.

In this connection, I would like to deal also with the work of the department on improving community enlightenment. For this purpose, we are engaging in the development of a balance structure published in the press. For the present day, banks have the capacity for embellishing their

financial status, by which they misinform potential investors. We, however, intend to define the balance structure—to isolate and group together accounts, which banks must publicize on a mandatory basis.

It is sometimes difficult to adhere to the standards of the existing law on mortgages in our system. The banks, granting loans to borrowers, must have the opportunity to register their right of mortgage, and if necessary to quickly realize it. However, as yet the mechanism and appropriate structure for this has not been created. The capacity of banks for obtaining information about borrowers is also a problem.

It would be useful here to turn to the experience of France, where banks voluntarily provide information on each borrower, and in exchange receive access to the credit records of their clients. These questions require immediate solution, since the existing analysis of financial reportability shows that a significant portion of the credits is not repaid.

And in conclusion, I would like to deal with the purely ethical aspects of our activity. How should the controller conduct himself when he has information about a crisis situation in a certain bank?

On one hand, he must notify the partners and clients of this bank. It is no accident that under all rules of oversight, two or three facilities are selected for conducting the investigations, so as not to raise a panic. But there is also another side to this coin. The total absence of information by partners and clients may involve them into a new string of non-payments. Therefore, it seems to me, it is necessary to find a prudent compromise here. And it, undoubtedly, will be found.

Deputy Finance Minister on Budget Plan for 1995

944E1142A Moscow DELOVOY MIR in Russian
No 171, 8-14 Aug 94 p 5

[Interview with V. Petrov, first deputy minister of finance of the Russian Federation, by L. Chepaykina; place and date not given: "Fulfillment of the Budget Depends on the Inflation Rate"]

[Text] All of us have waited for so very long for the 1994 budget to be adopted. It has happened, but the next one, for 1995, is already not that far away. Another question—will what has been projected be fulfilled? What initial shortcomings have been found in the budget?

DELOVOY MIR correspondent Lyudmila Chepaykina had a meeting with Vladimir Petrov, first deputy minister of finance.

[Chepaykina] As we know, a deficit is being planned for the budget ahead of time. But how is it possible to spend money that is not yet in one's purse?

[Petrov] The thing is that a deficit is a normal phenomenon in a budget. Its amount in the overall mass of budgetary expenditures and the source used to cover it is another matter. With the utilization of nonemissionary sources for financing budget deficits no infusion of funds into the economy, unsecured by a mass of commodities,

takes place, and there is no disruption in monetary circulation. Otherwise the budgetary deficit acts as one of the generators of inflation. Returning to the 1994 budget, it is possible to say that during its study in the State Duma, deputies "found" additional sources for covering the budgetary deficit in the amount of R8 trillion. In reality, however, this is not a reserve. For instance, it was proposed to cut government expenditures by 15 percent, or R567 billion, by decreasing the number of government workers. What was the result? Six months have passed. All the personnel are still working. With such a situation, it is now necessary to reduce their number by 30 percent. After all, core expenditures apply to wages. Here is a paradox: Expenditures merely increase with the discharge of workers, inasmuch as in accordance with the law, when the work force is cut back, it is necessary to issue severance pay. What is the way out of this absurd situation? It is, of course, necessary to follow a path toward optimization of the work of state employees. Today we are creating a vast number of government employees with a pittance for a salary, which is highly inefficient for the government. The number of workers should be decreased and the wages of those remaining increased. At the same time, this is a very complicated issue, affecting the structure of the government apparatus and the fate of thousands of people.

Here is another curious point. The State Duma decreased expenditures on the maintenance of executive power, at the same time increasing appropriations for the maintenance of representative power. But this is just one of the examples showing that fulfillment of the budget will be a complicated process. Finding itself without reserves, with pseudo-savings, the government does not have the possibility of maneuvering with funds. The revenue portion of the budget is being fulfilled poorly, the principal reason for which is that not all of the predicted funds are flowing into it, inasmuch as the decline in production is decreasing and the crisis of nonpayments is growing.

Under these conditions, the Ministry of Finance of the Russian Federation includes the financing of protected articles of the budget—wages and purchase of food and medicines among the main priorities. Unfortunately, on the basis of the residual principle there is financing of state capital investments, i.e., the overall volume of investments in the economy of the country shrinks.

[Chepaykina] Time is flying. And 1995 is not that far off. When will the budget for next year be adopted? Is there a possibility of staying within the normal deadlines, that is, adopting a budget before next year?

[Petrov] I hope that this time it will be possible. Today this is probably one of the most important tasks facing our ministry. Work on its fulfillment is in full swing. Before 15 September we shall have to submit a draft of the federal budget to the State Duma. Therefore, there are grounds to hope that the budget will be adopted on 1 January 1995.

[Chepaykina] In your opinion, where will it be possible to find new financing sources?

[Petrov] In accordance with one of the latest edicts of the president, improvement of the taxation system could

become an important source of additional revenue for the budget. We are all constantly repeating that our tax system today is imperfect, that it does not stimulate the producer and chokes the businessman. Improvement of the tax system envisages a decrease of core taxes, for example, value-added taxes and profits tax, with an increase in property and rental taxes. These innovations will pertain to legal bodies, and our main task is not to raise the tax burden on the commodity producer.

This is a very complicated task, if for no other reason than that the principal owners in the country are the producers. Those, however, who work in the sphere of circulation, as a rule, do not possess their own funds. In general, when discussing issues concerning introduction or repeal of taxes, it is necessary to use a differentiated and a weighted approach.

I would like to cite a small example. The question concerning an increase in the gasoline excise tax of 1 percent was recently debated in Germany. As a result, that almost precipitated a national crisis. We, on the other hand, introduced a value-added tax two years ago which amounted to 28 percent, and nothing happened. I can assure you that our ministry is not preparing any surprises like that for next year. But in one way or another, it will be necessary to improve the tax system.

[Chepaykina] Still, at the expense of what is the treasury to be replenished?

[Petrov] The state must exist on something. Therefore, the tax system will be improved, and property and indirect taxation will probably be increased. It is no secret that our entrepreneurs attempt to avoid taxes in every possible way—this pertains particularly to the sphere of cash and monetary circulation. Our underground financial system is flourishing. Therefore, it is planned to improve the tax inspection services and apply tighter measures against the violators.

[Chepaykina] By law, citizens must pay taxes upon receiving profit from operations on the stock market. Today, however such a large number of emitters have appeared (MMM, Telemarket, Hoper-Invest, Doka-Pitssta, and others) whose shares of stock are bought and sold on every corner without restriction. There is no register of stockholders. How can this process be controlled? How can taxes be collected from those who earned money in those operations?

[Petrov] We are not setting a goal of tightening the tax press on the population. The emission of these firms is taxed during registration, just like profits. Logically we should tax physical bodies as well, but the acute nature of the problem consists in the fact that because of the upsurge in inflation during 1992-1993, most of the population lost its savings. Those who have little and the middle-income groups suffered the most. The question arose concerning compensation of losses that were suffered. If the government starts reimbursing these losses today, that would bring about another rise in inflation, and then it will be impossible to even talk about a deficit-free budget. On its part, the government is attempting to find a way out of the

situation. Let us remember voucher privatization. But if people believe that today by investing money in shares of investment funds they are protecting themselves against inflation, we must then promote development of the securities market and improve legislation primarily with an eye to protecting the investor (and there are millions of them) against dishonest entrepreneurs who speculate on the securities market.

This is a contemporary task, while one for the more distant future, creation of favorable conditions for investments, will appear only after inflation is reduced to a minimum and does not interfere with the conduct of a complex of measures aimed at improving the health of the country's economy. I believe that this task is before us today as well in the fulfillment of the 1994 budget, while the government is coping with the parameters that were incorporated in the bases of anti-inflationary policy. According to official data, inflation has amounted to 5-6 percent over the last three to four months. Of course, this is high, but it cannot be compared with any other CIS republic, where prices rise 50-60 percent monthly. I have in mind Ukraine, Belorussia ((Belarus)), and Transcaucasia. Despite the fact that the 1995 budget will contain a deficit, the level of the deficit in the budget will amount to no more than 5-6 percent of the gross domestic product. What financial sources will be used to cover it? There are several. The first one, the most commonly used and the most hazardous one, involves the emission of currency and preferential credit terms from the Central Bank. Practice indicates that this is the best way to ensure inflation. A less dangerous way is by financing the budget deficit with funds attracted from foreign debtors. There is yet another source—issuance of securities. Using nonemissionary means, it is planned to finance 40—50 percent of the budget deficit in 1995. If our program takes place, the level of inflation will not exceed 3-5 percent a month. That is quite permissible. At any rate, it allows prediction and regulation.

[Chepaykina] What if a deficit-free budget is adopted in 1995?

[Petrov] No. That is excluded. Until our economy rebuilds its structure, that is impossible. Decreasing the number of inefficient types of production, lowering the share of the military-industrial complex, while increasing the volume of services in the gross domestic product—all that is connected with big investments, which we will be able to secure mostly within the country. Consequently, a certain infusion of money is required, and that means inflation.

We must all learn to live under inflationary conditions. The question consists in something else—ensurance of control over the level of inflation and protection of the population. For those who work in the budgetary sphere or receive stipends or pensions, we must guarantee a certain minimum amount of revenue.

[Chepaykina] We would like to have more details about priority branches of the economy for which budgetary allocations are to be made.

[Petrov] One should not think that the government will be able to show concern for everyone and everything. Under

conditions where there is a shortage of budgetary funds, policy in the distribution of appropriations is directed at selective support of the most important branches of the national economy, which include the fuel and energy complex, conversion of the military-industrial complex, transportation, telecommunications, and the social sphere. I would like to dwell in particular on state support of the agro-industrial complex and the coal branch, which are granted a substantial amount of budgetary appropriations. Today it is possible to say that a program of action has been worked out for the landowners.

In the past, peasants were issued credit on preferential terms, along with inefficient subsidies that were allocated at the intermediary stage. Subsequently, the credit terms were extended, written off, and in the end had no positive effect. We worked out a new system of forwarding transactions. What does that mean? Funds are advanced at the start of the year against the future harvest on the basis of a contract price. That allows the agricultural commodity producers to purchase seeds, fertilizers, fuel and lubricants, etc. at today's prices. At the same time, in September the harvest will be delivered to the state. This method of financing has its positive aspects and is of particular interest to agricultural producers, inasmuch as they are endowed with working capital of which there is a shortage.

[Chepaykina] What if there is a bad harvest? A natural disaster? How are the commodity producers in the countryside then going to repay the government?

[Petrov] Under inflationary conditions, of course, seasonal types of production suffer the most. But if we pledge the predicted price and fulfill our obligations, then this method under conditions of predicted inflation, appears quite sensible. Of course, prices are highly important under market conditions. In order to guard against unpredictable cases, for example, of drought or crop failure, there is a system of insurance. The cost of insurance is included in the production cost of the goods. In recent years, we have departed from the practice of mandatory insurance, but I believe that the time has come when it will be impossible to get by without it.

The situation is much more complicated in the coal industry. Funds must be appropriated for the financial restructuring of this production and for the closing of inefficient mines. No one mines coal anywhere in the world beyond the Polar Circle. We do. That is inefficient. According to estimates it is much more expensive to subsidize such production than to restructure it. It is possible to retrain these people, transfer them to another locality, and it would still cost less. That is another problem for next year.

[Chepaykina] Speaking about efficiency, are we forgetting about those branches that bring no income but promise only expenditures? I have in mind the social sphere, culture, pensioners, students, etc.

[Petrov] The state exists for the purpose of thinking not only about the geese that lay the golden eggs, but about the needs of the population as well, which are equally important for development.

No matter how much we increase appropriations for the development of effective types of production, it is impossible to forget about financing of the social sphere. Forgive me, another small example. My son, who is a student, receives an allowance from the government for food. My neighbor, a single mother, has two children. She receives the same amount of money for them. I am personally prepared to relinquish my allowance to her. But my impulse would not perform its intended social role. It is a matter of principle. There must be a differentiated approach to the allocation of funds for social support of the population. Perhaps then we will see fewer beggars in the pedestrian underpasses.

Here is another example. Who of us has not dealt with the existing public health system? Everyone knows that everything is not well in that area. A system of mandatory medical insurance of the population is currently being actively implemented. Everyone is issued a policy. What does it guarantee? As it is, 3.6 percent of the wage fund goes into the medical insurance fund, but the wages of the doctor, the nurse, or the aide do not increase because of that. The amount of medicines on hand does not increase, either. Instead, however, there is a proliferation of insurance offices, like that of mushrooms after a summer rain, which instead of tomographs and X-ray equipment purchase eye-popping Volvos and Lincolns, build offices, and hire numerous officials. As a result, who gains from that? The people? The state? I am sure not. The intermediaries get rich, and all this does not improve anyone's health.

We use foreign experience in the operation of the medical insurance system, forgetting the old principles in the financing of public health. But for some reason Russian experience is frequently being utilized by foreign partners. That is what happened with the public health and educational system. We are again going "the other way."

[Chepaykina] You stated that construction is carried out on the basis of the residual principle. Then why talk about culture?

[Petrov] May I cite another small example? I am watching TV, viewing the world soccer championship. The first part is presented by Russian Television (state financing), while the second part is presented by Ostankino. I understand that correspondents really wanted to travel to the United States, but can this be called competition? Is that really a state approach to the financing of television programs?

We are willing to subsidize organs of the mass media, prepared to increase subsidies for social and cultural measures, but the question again rests on the same thing: the final result. It is necessary for the product to reach the consumer, who would not then complain about inferior quality.

[Chepaykina] A very touchy question: budgetary federalism. Your attitude toward Federation subjects?

[Petrov] There are many problems and questions in this area as well. For example, parliament adopted a decree regarding the indexation of pensions by a factor of 1.4. There is no money. What can be done? Moscow pays pensions to its pensioners out of its fund. Moscow Oblast

is subsidized. My mother lives at Khimki, while her friend is in Rechnoy Vokzal. Her friend will receive a new sum "from Luzhkov" and will praise him, while Mother will scold Tyazhlov, but what for? It is not his fault, since there is simply no money. In the given situation, of course, we shall have to seek a wise solution. Should not all the issues be resolved in an urgent manner?

I believe that a totally wise budget will be prepared for next year backed with financing sources. We cannot grasp the unfathomable, but we are quite capable of acting wisely.

Moscow Procuracy Officials on Solving Contract Murders

944F1257A Moscow IZVESTIYA in Russian 13 Aug 94 p 5

[Article by Igor Andreyev: "Contract Murders: Confidentiality and Impunity Guaranteed"]

[Text] No matter what impression the society may have received during years past concerning the inevitability of punishment, the deputy procurator of the city of Moscow, Yevgeniy Lisov, is convinced that there are crimes that are impossible to solve. And above all—contract-type, paid-for murders, committed by cold-blooded and extremely careful professionals, hired by equally careful persons who spare no expense for this purpose.

Although Yuriy Tompakov, section chief of the capital's procuracy, who took part in our conversation, does not share his colleague's opinion on that particular matter, both these procurators agree on one thing: Investigating contract murders is extremely difficult, and the traditional methods of criminal investigation do not produce results. As a rule, the professional killer leaves no important traces or clues for the investigators to follow up on. The client, who often has not dealt directly with the killer himself, cannot be figured out, and sometimes there is not even an answer to the classic question: Who benefits by this murder?

The impression that I gained from my conversation in the procuracy is as follows: Everything pertaining to contract murders during the last few years is vacillating, vague, and contradictory. The figure cited by the police—19 such crimes in Moscow last year—is considered absolutely too low by my fellow conversationalists, even though they cannot refute it with any other data at hand. Despite a widespread opinion, no typical image of a hired killer has evolved in the law-enforcement organs. In any case, Lisov and Tomakov do not agree with the following description of such a person: a lone wolf with a military past (Afghanistan, Karabakh, the Dniester Region, or Abkhazia—this is necessary, as the saying goes), an absolute professional who never makes any mistakes. There are also, they assert, amateurs—persons who engage in this business in order to "make a little money on the side." These include the following categories: drug addicts, who kill persons unknown to them for the sake of a few doses of "dope," semi-criminal thugs, who jump at the chance to earn some extra money, and persons who have become confused in their lives and found themselves in a jam. Such amateurs sometimes hit the wrong target—they kill not the intended

victim but, let us say, a person who just happens to be in the same apartment. Or the criminal is blown up by a grenade that he has been preparing in order to destroy the "target."

Along with loudly publicized murders of prominent businessmen, entrepreneurs, and bankers, recent times have also witnessed the not-so-noticeable removal of repellent husbands or rivals in a love triangle, neighbors in an apartment, and relatives who are capable of leaving an inheritance. Contract murders also follow the pattern: client—money—hit man—victim. Only the common, garden-variety, traditional types of such crimes are well known to criminologists. The motives for the crime and the person who has contracted for it are not difficult to figure out; hence, such cases have a solvability rate of 80-85 percent.

Let me repeat that there are usually no obvious links lying on the surface in investigations of "true" contract murders. Sometimes, say Lisov and Tompakov, it pays to study the immediate environment of the murdered person. If he was a banker, such a study would be made in the bank. But this involves hundreds or even thousands of documents, which need not only to be examined, but also reviewed and expert opinions rendered. It is a painstaking task—one requiring months of work—and permitting the investigators merely to outline a circle of suspects and to develop a hypothetical scenario; meanwhile, the criminals have more than enough time to cover their tracks.

No matter how diverse the motives for such violent reprisals may be, my fellow conversationalists assert, they frequently have one thing in common: The future victim himself has provoked the client contracting for the murder to proceed to such harsh measures. There has either been an infringement on the commercial interests of a business rival, a categorical refusal to pay debts, or something of this nature. That is to say, the shooting or explosion merely crowns the accumulated economic conflicts between individuals or structures. And, in this connection, Lisov uttered words which, according to him, were difficult to say, to the effect that the state likewise bears partial responsibility for the wave of such crimes. Crude trials in basements and offices with persons holding guns in their hands comprise a form of resolving conflicts which—albeit uncivilized and lacking in juridical precision—do act as a kind of "third-party, arbitration-type court" in lieu of the state apparatus. The official Arbitration Court, for example, has dragged out such cases for months or even years.

Nor does Lisov exclude the reality of the ethnic factor in contract murders. The constant and widely publicized assertions regarding the Caucasian "accent" of crime in Russia could evoke sharp hostility in the concerned regions of the former USSR. As is the case everywhere, various people live there, including those who are all too ready to pay us back by "protest actions" and to carry them out, moreover, for substantial remunerations. But on the surface such crimes look like the ordinary, intra-commercial types of cases in our capital.

In the eyes of the law, a client who contracts for a murder and his hit man who carries it out are equal as co-participants in the crime for mercenary motives. There is no other formulation for this in Russian law. And a person who removes his neighbor in a communal apartment in order to take possession of the latter's room is no more nor less a criminal than a successful businessman who does not spare \$100,000 to remove a competitor. The court, say Lisov and Tompakov, certainly takes into consideration the personality of the client involved and the circumstances of the murder in question. But the procurators themselves find it difficult to say which of these two types of criminals is more loathsome to them on a purely human level. They say that much depends upon what factors and what kinds of persons brought about the attempt on another person's life.

To find and convict such clients and murderers is extremely difficult, the procurators repeat, although both are sure of the following: The 13 cases of this kind investigated so far in Moscow have taught them a great deal. It is almost hopeless, in their opinion, to tie up loose ends in actions involving the use of explosive devices—and more than a hundred such cases occurred in the capital during the past year. There are no traces left; the explosion destroys everything; and this is very well understood by the hit men. It is frequently difficult to ascertain even against just whom the attempt was made and who became a victim merely by chance. Who was the intended target of the murderer who left a "bomb" on the stairway landing of an apartment house: the banker from Apartment No. 16, the businessman from No. 17, or the engineer from No. 18?

The killer is no longer around; he has fled abroad from Russia and the CIS [Commonwealth of Independent States]. Nor is there any solid, substantial evidence against the client, even if people have "figured out" who it is. This is all the more true against a client who has spared no expenses and who has hired a killer through a long chain of middlemen. For even a better guarantee, my fellow conversationalists suggest, the hit man himself may also be eliminated by another of his colleagues—one who does not even suspect whom he is killing or for what reason. It is even more reliable in cases where the killer—having carried out the contract—considers that he has not been paid enough money and proceeds to extortion and blackmail. Because, of course, there is no firm price. According to data obtained from 38 Petrovka—depending upon the circumstances, the personality of the client and the victim, the price nowadays ranges from \$2,000 to \$100,000....

I would not say that I left the capital's procuracy with a feeling of optimism concerning the successful fight against contract murders. But who indeed has said that in the relevant statistics of a country lashed by a wave of economic, organized, sexual, street, and miscellaneous other types of crime there could be a line drawn through one graph taken in isolation? Let me be more precise and specific. Our country is poor, with a government that seems to be paralyzed and does not even dream of outfitting its own law-enforcement organs with the technical means adequate for coping with "ideal," masterfully committed crimes.

Procuracy Says Tax Evasion Rampant*944F1318A Moscow NEZAVISIMAYA GAZETA
in Russian 13 Aug 94 p 2*

[Article by A.S., under the "Conference" heading: "Procuracy General Collegium Met; Tax Evasion Has Assumed a Mass Character"]

[Text] The collegium of the Procuracy General of Russia, whose work was guided by Aleksey Ilyushenko, the acting procurator general, discussed the results of an inspection on how tax legislation was being observed and how legal the measures were that were being applied by organs of the state tax service of the Russian Federation and by the Department of Tax Police of the Russian Federation.

It was noted at the collegium that the unconditional fulfillment of the requirements of the law concerning the timely receipt of the full amount of taxes assumes a special significance at the present time, inasmuch as this is one of the most important factors for ensuring the normal vital activity of the state. However, tax evasion has assumed a mass character everywhere. A half million enterprises figure among the violators of legislation. In the last year and the beginning of this year, tax organs returned unpaid taxes, including financial penalties, in the sum of more than R7 trillion. Tax violations are most widespread in the trade-purchasing, intermediary, credit-financial, and foreign economic types of activity.

The Procuracy exposed deviations from legislative requirements and interference in the jurisdiction of tax organs that were tolerated by republican organs and by the heads of administrations of regions. In particular, the tax rate on profits being entered into the federal budget was unjustifiably lowered, the high priority of tax payments was modified, and the collection of fines was stopped. At the same time, instances of inaction by the tax organs themselves were noted in a number of cases, when they did not apply the prescribed penalty charges to the violators and did not make them answerable as required by law. The collegium demanded that the procurators of the republics, krais, and oblasts regard supervision over the fulfillment of tax legislation as one of the most important aspects of their activity.

Officials, Businessmen View MMM Scandal*944Q0540A Moscow KOMMERSANT in Russian
5 Aug 94 p 3*

[Summary of press conference by Dmitriy Vasilyev, deputy chairman of the Commission on Securities and Stock Exchanges, reported by Boris Boyko; commentary by the KOMMERSANT Economic Policy Department; and roundup of reaction by Russian businessmen to the MMM scandal: "The Presidential Commission Has Begun Speaking In the Language of Goskomimushchestvo [State Committee on the Administration of State Property]"]

[Text] For the first time since the conflict surrounding the MMM began, presidential structures appeared on the scene—thus far they have confined themselves to a wait-and-see tactic. Yesterday's press conference by Dmitriy Vasilyev, deputy chairman of the Commission on Securities

and Stock Exchanges attached to the Russian President, showed that the commission held an unequivocally strict position with respect to issuers of emissions such as the MMM AO [Joint-Stock Company]. But possible actions by it in this connection remained unclear for the present.

In order to be more persuasive, Dmitriy Vasilyev had invited representatives of structures directly involved in the stock market to take part in the briefing. From the very beginning, Dmitriy Vasilyev went on the offensive (because of the offices he holds and his position as deputy chairman of the GKI [Goskomimushchestvo]). His statements were directed against the Ministry of Finance. In Vasilyev's words, the MMM scandal attests to the deep crisis in the state system to regulate the securities market. The obsolete legislation makes it possible to charge such a company only with violation of the edict on advertising and the lack of a register of stockholders. And, most important, it does not make it possible to ascertain what the papers issued by the MMM AO actually represent—shares of stock, lottery tickets, or something else. But, whether or not the MMM AO bears responsibility for its activity under the laws, regulating the securities market depends on this.

In the opinion of the commission's specialists, activity by organizations that issue substitutes in the guise of stock shares should be stopped and they should subsequently undergo an audit. Vasilyev considers the Ministry of Finance staff primarily at fault because this has not been done yet. Its staffers not only have not been interested in changing the existing legislation but shut their eyes to the issuance of stock shares by certain sources—although the Commission on Securities had proposed that investors' rights be protected by another presidential edict to ban the issuance of stock shares by entities such as MMM. Moreover, the tax organs now have practically stopped the emission of "good" stock by privatized enterprises, demanding that fixed capital be reevaluated. And, as we know, this entails the payment of high taxes.

It is apparent that such strictness in assessing the Ministry of Finance's actions attests to the struggle for first place in regulating the stock market, which is being conducted secretly with variable success by the Ministry of Finance and the Goskomimushchestvo. For the first time after the Tekhinvest AO scandal, the opportunity to take revenge was presented to the committee.

In Vasilyev's words, in order to change the situation for the better and prevent such scandals from recurring (and there are already contenders for this), it is necessary to change the very approach to regulation and control of the securities market. The commission has drafted such a plan (in Vasilyev's words, it is not understood by government personnel yet): The state only has to work out a summary of obligatory requirements and common rules for the securities market, and control over the execution of these rules and standards should be entrusted to "self-regulating organizations" that unite participants in the market. The argument is simple—because the brokers, dealers, and transfer agents acting in the market are most interested in

its stable operation and their public associations will be even stricter than the state in controlling their participants.

In Dmitriy Vasilyev's opinion, the arrangement proposed is the only one that is possible. As expected from the deputy chairman of the Goskomimushchestvo, he said a condition for its successful realization is that the deficit of quality shares in the securities market must be overcome "by selling the surplus shares of privatized enterprises consolidated in state property ahead of schedule."

Commentary

One of the charges made against the MMM AO by the Finance Ministry is that the company does not have the right to engage in the buying and selling of securities under its own name and at its own expense, since it is not an investment institution and does not have the appropriate license from the ministry. Actually, the statute "On the Issuance and Circulation of Securities and Stock Exchanges in the RSFSR" of 28 December 1991, states that such operations may be conducted by investment companies. However, nowhere is it forbidden for other persons to conduct them. Without a license, it is prohibited only "to engage in activity in the securities market with funds that have been invested or at the instruction of third parties." But MMM is buying shares with its own funds and for its own purposes.

Neither can MMM be blamed for publicly quoting shares, since any person has the right to advertise the sum he is prepared to pay for one commodity or another. Hence the weakness of accusations by the Ministry of Finance and the GKAP [State Committee for Antimonopoly Policy and Support of New Economic Structures] that the announcement in advance of the price for buying and selling shares violates the president's edict "On Protection of Consumers From Unfair Advertising." After all, this is essentially not advertising, but a public offering (an offer to conclude a contract).

After the price (to buy, for example) is announced, all the important parts of the contract become regulated: The contracting party knows what is being sold, under what conditions, and for how much. For the contract to be concluded, it is sufficient just to accept the offer—that is, to say "yes." The only violation is in the advertising, where the guaranteed increase in the exchange rate is mentioned—the edict directly forbids such actions.

This is a much more complicated question: what is MMM issuing, strictly speaking? Ministry of Finance specialists believe the "MMM tickets" are "incomprehensible as anything." In a printing order, they are generally called "advertising output." We can only confirm that these are not shares of stock, not bonds, and not derivatives of them. In other words, they are not securities. Since the "tickets" theoretically may be exchanged for shares, we may consider them to be like stock certificates. Then there are two possible explanations for them. On one hand, the "ticket" is a fractional component of a certificate. Not one normative document restricts the subdivision of a certificate.

Another explanation is possible. It has not been ruled out that MMM issued "tickets" not for the shares issued, but

for those to be issued in the future. Then the company's desire to register a new amount of charter capital—R1 trillion—is understandable. After all, the company already had stockholders for these shares. In this case, the "ticket" becomes an advance contract to buy shares in the MMM AO. Such a contract stipulates that the purchaser pays today for a commodity he will receive tomorrow: Today's "ticket" is exchanged for a share tomorrow. In the commodities market, the buying and selling of a commodity that has not been created yet is sufficiently widespread. But this is a precedent for the stock market. Taking into account that MMM intended to register the largest emission of shares, it is difficult to accuse it of fraud on this basis.

This version assumes that after the "ticket" is exchanged for the share, the advance contract is executed. The new shareholder becomes an owner of MMM. And it is understandable why he is deprived of the right to take part in a future game for an increase. However, there is another question that is unanswered: What does the shareholder become the owner of? The MMM AO has still not disclosed the composition of its assets, and the GKAP does not know in which market the company is operating. The legislation unequivocally refers inquisitive shareholders to the company's charter. At the same time, they have to take into account that, for the company management to compel them to do anything, it is necessary to assemble a majority of votes from the 991,000 officially registered shares in MMM.

If the assumption about the "ticket"-certificates is correct, MMM is at an impasse. On one hand, in order to fulfill its obligations to the buyers of the "tickets," it has to register the emission prospectus. On the other hand, its assets must be open for this, and the AO does not want this. The result is universal panic (KOMMERSANT writes about the next stage in the conflict between MMM and the authorities on p. 14). Generally speaking, Sergey Mavrodi and the MMM AO have not had an unbearable burden.

At present, the situation is developing in accordance with the scenario that is already well-known from the experience of previous conflicts between private business and the authorities. Everything is traditional: A commercial structure in active operation sees at some point that its success is beginning to be viewed as a certain type of challenge—to government foundations, public morality, and the like. In this case, the company's refusal to accept the rules of the game that were set informally at a given moment leads inevitably to conflict with the entire system of authority, in the course of which the departments demonstrate striking solidarity, which is not typical for them. In this case, all the attempts by businessmen to attract public opinion to their side have not come into action until lately.

The outcomes of such conflicts are disappointing at first glance: the ANT Concern transferred its headquarters to Budapest but remained undefeated, and the mythical millions of Artem Tarasov have not been found. It is possible that Tarasov was closer than anyone to an understanding of the real reasons for these strange and regular

conflicts when he spoke of the coming era of "enterprise by the nomenklatura" at the First Congress of the Science and Industry Union (later, the RSPP) in 1990. As the example of Tarasov illustrates, its laws are severe: A businessman had to emigrate temporarily.

And one more question remains unanswered: To what extent does the MMM leadership's conduct meet the ethical standards recognized among the representatives of national business? Despite prevailing notions about the overall decline in their morals, most of the businessmen polled by KOMMERSANT condemned the MMM leaders precisely for their immorality. However, the experience of developed countries shows that the captains of business look upon the world with completely different eyes in a work environment.

[Begin box]

An Ethical Evaluation of the MMM AO Leadership's Actions by Captains of Russian Business

Mark Massarskiy, chairman of the board of the Rossiyskoye Zoloto and Volkhov companies: "First of all, Sergey Mavrodi is violating the basic principles of ethics in free enterprise. He is not creating any new assets, just redistributing the ones that exist. Sergey Mavrodi is violating the ethical commandment of civilized free enterprise—he is increasing the number of people with economic liabilities. He is reinforcing the parasitical strata in our society, which is large enough as it is, by getting millions accustomed to receiving without worrying about the source of what is received—a pyramid system. Later investors in the MMM AO pay the claims of the ones that preceded them with their own money—both dividends and the money invested. Mavrodi is weakening the long-term stimuli for productive labor. The idea behind the activity of the MMM AO is not investment, or work, but speculation with other people's money. Some analysts are saying that Mr. Mavrodi is reinforcing the market behavior of millions by getting them accustomed to using the words 'share,' 'par value,' and 'dividends.' But, in fact, all these words in this case are a transformation of the previous Marxist phantoms 'socialism,' 'communism,' and 'the people's happiness.'"

Maksim Selivanov, general director of the Steepler Company, believes that Mavrodi's conduct is disgusting from the standpoint of a businessman's ethics. "If we disregard all the moral and ethical aspects, Mr. Mavrodi acted competently. But, when the moral aspects are included, it turns out that he was competent in swindling everyone. It would have been very unpleasant for me to be in such a situation, and I do not envy Mr. Mavrodi for this reason. There are various ways of dealing with competitors, and in business one has to be rather harsh with them at times. But one cannot act in this way with large numbers of stockholders who are practically defenseless. No one in our business circle would do business with Mr. Mavrodi."

Aleksey Vlasov, president of the RTSB [Russian Commodities and Raw Materials Exchange]: "From a businessman's standpoint, the actions of Mr. Mavrodi are unethical—chiefly with respect to the large numbers of people

who committed large amounts of money for promises that cannot be kept. This is also unethical with respect to his business colleagues, since it undermines confidence in the Russian stock market as a whole. Mavrodi's actions are also unethical with respect to the authorities, because MMM clearly has violated a number of laws."

Nikolay Redko, president of the MFD [Interbank Financial House]: "All of Mr. Mavrodi's actions are transparent—this notorious machinery that vanished with the bookkeeper's accountability. I have a negative attitude toward such things, of course."

Andrey Fetisov, chairman of the council of directors of the First Checking Investment Fund: "We (participants in the stock market—KOMMERSANT) do not know these people at all. Frankly, we never sought any contacts with the MMM management, since this entire undertaking gave rise to serious doubts from the start. As far as the events surrounding MMM in general are concerned, there is no limit to human stupidity, and I will not be surprised if all these people who have suffered will give their money to someone like MMM tomorrow once again."

Garegin Tosunyan, the president of Tekhnobank and first vice president of the ARB [Association of Russian Banks]: "In the situation that has developed with the MMM, there is a danger that official circles may use a scandal of this kind to take the offensive against free enterprise as a whole. For this reason, serious businessmen should dissociate themselves from the MMM and others. Commercial banks have considerable experience in working with the public's investments and can guarantee dependability and income. Although in the legal vacuum in which normal business is forced to operate, situations in which pseudo-businessmen can operate under the mask of a bank are possible. In my view, the government should not bear responsibility for the actions of swindlers. It may be reproached only because steps were not taken in time to reduce the gaps in legislation."

Vitaliy Malkin, chairman of the board of the Rossiyskiy Kredit Bank: "I support the actions by the government, the Ministry of Finance, and the Antimonopoly Committee."

Aleksandr Smolenskiy, president of the Stolichnyy Bank, refused to comment on events linked to the MMM.

[End box]

Draft Law on Right to Association Discussed

944Q0540B Moscow KOMMERSANT in Russian
4 Aug 94 p 2

[Report on roundtable at the Reforma International Fund by Boris Boyko: "The Existence of 'Reforma' Is Jeopardized"]

[Text] Yesterday's "roundtable" at the Reforma International Fund, in which the fund's leadership, headed by academicians Stanislav Shatalin and Leonid Abalkin, and representatives of the Duma Committee on Public Organization Affairs took part, was devoted to a discussion of amendments to the draft law on citizens' rights to association, which was adopted by the State Duma in the first

reading. The sides did not arrive at a unified opinion—the fund's representatives insist on the amendments, but developers of the draft law consider them to be unwarranted.

In the opinion of the fund managers, there is a definite danger, if the law is adopted, that many funds, including Reforma, will be considered illegal, and the funds will have to change their founding documents without delay. In the words of Yuriy Muromskiy, chief of the Reforma Legal Department, this is comparable to "an establishment revolution." The fund points out in its amendments that the law does not take into account the special legal status of the funds, including public funds, which may be associations of citizens as well as juridical entities.

In this connection, the fund proposed that the draft law be changed and that state organizations and organs retain the right to establish funds. Reforma also proposed that funds retain the right to engage in activity not only in the interests of "third parties," but in their own interests. In this case, Reforma believes that membership in a public fund may be registered or unregistered.

Aleksey Avtonomov, director of the Legal Center of the Fund To Support Parliamentarianism, who represented those who developed the draft law at the roundtable, maintained a very original position. He simply stated that it is not obligatory to introduce numerous specific amendments to the draft law, since it represents some summarization of basic rules and, in any event, it performs the role of a "public associations code" in general. Individual laws—on noncommercial organizations, political parties, and the like—should "apply" to it.

So, in Avtonomov's opinion, the remarks by the Reforma Fund may be taken into account in a separate law on public funds. Especially as it presumably will deal with the question of those funds established by state organizations. Accordingly, all the questions related to the granting of tax exemptions to the various types of funds should be mentioned in special tax laws.

However, all participants in the discussion acknowledged that the expression "state participation in fund activity" may be applied only with reference to budgetary funds. The words of Aleksey Avtonomov were worthy of note: that the object of drafting all the laws on funds' activity is very specific—to block tax loopholes, to prevent the financing of political movements with state funds, and to regulate the funds' commercial activity. The reason is that there are many organizations registered as funds that are actually engaged in commercial activity in order to make a profit.

As a result, the fund's representatives were inclined toward the idea that amendments still have to be added to the basic law on citizens' right to association. The fund reasonably assumes that changing the laws being issued to develop the current law will be more complicated. Nevertheless, it was decided in any event to continue discussion of this matter in order to coordinate their positions. Only after this will amendments be sent to the Duma.

[Begin box]

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Objections Raised by the Reforma Fund to Provisions of the Draft Law On Public Organizations and Associations

- Public funds are associations that do not have a registered membership and whose purpose is to build up property, including the accumulation of monetary assets and organization of the use of this property in the interests of "third parties," that is, persons who are not founders of the fund or who do not manage the fund's property.
- Juridical entities established at the initiative or with the participation of the state and its organs may not be the founders of citizens' associations, which does not prevent them from acting in the capacity of collective members in a functioning association of citizens.

[End box]

Elite Figures Polled on Future System for Russia

944F1223A Moscow SEGODNYA in Russian 5 Aug 94 p 9

[Article by Professor Rozalina Ryvkina: "Does Our Society Have an Image of the Future?"]

[Text] 1. Why does society need an image of the future?

This question is answered by an aphorism from the heritage of the classics of Marxism: Great energy is engendered only for a great purpose. And in order to have this great purpose, we need to have an image of the society at which we would like to arrive. An image, moreover, that could stimulate the vital and labor assertiveness of millions of people. If, however, politicians and the majority of citizens have no concept of the future, social apathy is engendered: estrangement from society, a breakdown of civil relations, the domination of group over common interests, conflict, and economic and social stagnation and, in consequence of all this, crime.

Granted all the mistakes and crimes of the communist leaders, their strong side was always an ability to advance programs and slogans oriented toward the majority of the populace and capable of igniting hearts. And although these programs and slogans were utopian, to a large extent, they did engender great energy. And, what is most important, they united people around important tasks that seemed (and to some extent were) entirely feasible. The communist leadership had a good command of the "techniques of control" of large masses of people and understood that some ideological "glue," some "social compact" concerning rules, principles, and goals common to all, was essential for society's normal development.

The lack of just such spiritual mechanisms of the country's development is perceived increasingly keenly today. The campaign for the signing of the Social Accord Treaty was born of a desire to overcome this deficiency. But, alas, the signing of some treaty is not identical to real accord in society.

Real accord is the civic solidarity (not mechanical but natural, organic) of the main social forces of society as to the purposes of its movement and the type of organization

of social life at which it would be expedient to arrive. The image of the future, therefore, is a kind of ideological base of social accord and social solidarity.

Today's total confrontation and war of all against all are connected with the fact that this ideological base for social solidarity in the country is lacking. Moreover, it is the model of the future that has become the principal object of political struggle and, frequently, of political bargaining also. A vicious circle results: In order to achieve social accord, an accord concerning the future is necessary, but it is the image of the future that has split society into hostile groups endeavoring to realize different types of social arrangement.

But if we think about it, it is not so much society or society at all, even, that is split, but its highest strata that are privy to power and property—the strata that in the USSR were called the *nomenklatura* and that have now been renamed the elite.

There are grounds for this name change, incidentally—the present top strata of society are free of the procedure of affirmation in some party authorities (which had made them the *nomenklatura* of the party bodies of this level or the other, from the district committee through the Central Committee of the CPSU). Now, on the other hand, another, more natural, mechanism of upward progress—competition—has begun to operate in society, and this mechanism is recruiting and advancing the strongest and those who are most power-hungry and are sufficiently intelligent and who have this “support mechanism” or the other. The appearance of this new (compared with the USSR) competitive mechanism of advancement of the elites has engendered what in Soviet times was practically absent—a struggle of elites for power: for its preservation and/or an increase in the extent of it.

The struggle of elites characteristic of the entire period of Russia's development, since the start of *perestroika* through the present, is perfectly natural if we consider the differences in the “roots” of the different representatives of the present elite groups. Truly, some of them came from the party and soviet machinery of the USSR and share communist ideas. Others came from the part of the intelligentsia that was in opposition to the machinery of the CPSU, included “dissident circles,” and was covertly for a social system alternative to the Soviet system. The subsequent (following the disintegration of the USSR) political struggle among these groupings is perfectly natural, therefore. Whence the entirely understandable inner division and conflict in the Russian political and economic elite.

As a result, a paradox is observed here: Those same social strata on which the achievement of social accord most heavily depends are the principal impediment to the achievement of this accord. This manifests the profound contradictoriness of the Russian elite itself: The existence therein of contradictions between the civil function that it should, seemingly, be performing and its group (political and economic) interests. The events of recent years have shown that the civil role of the Russian elite has been performed inadequately, whereas its group interests have been manifested extremely strikingly and have constantly

made their presence felt. True, each society deserves the political and economic elite that it has. In order that there might be hope for a strengthening of civil accord and the peacemaking role of the politicians and top entrepreneurs in its achievement, it is necessary that society know these groups' opinion concerning the future. Inasmuch as the influence of the elite groups on the development of society is incomparably stronger than that of ordinary people—workers, peasants, or office employees.

With regard to this, we attempted in the course of polls of experts that were carried out by the All-Russia Center for the Study of Public Opinion in 1993-1994 to ascertain the image of the future that has taken shape in the minds of the main groups of the Russian elite.

2. Image of the future in the minds of the Russian elite

The group of experts (200 persons) included 50 politicians (leaders of political parties and trade unions, senior officials of ministries and departments, representatives of the Office of the President, and deputies), 84 representatives of the economic elite (enterprise directors, entrepreneurs), and 66 intellectuals (prominent scientists and journalists). The group included 95 persons with academic degrees—49 candidates and 34 doctors of sciences—and 12 academicians and corresponding members. The poll was for this reason of a special nature—people wrote their own opinion on blank polling sheets, and they were offered none of the ready-made suggestions that are usually employed. Those polled were set a series of questions on the prospects of Russia's development and on the types of societal arrangement (political, economic, social) that most corresponds to Russia's historical past and the particular features of its population. The forecast question was put first: “What kind of political system will Russia have in the future?” The following answers were obtained (percentage of those polled):

A particular system corresponding to the country's historical past	41
Western-type democracy	25
An authoritarian regime	17
This version or the other of Soviet power	7
Do not know	10

As we can see, the largest proportion of experts (41 percent) expected that some particular political system would emerge in Russia, the smallest (7 percent), that something akin to Soviet power would be established. The possibility of the establishment of Western-type democracy seems likely to one-fourth of the experts, and of an authoritarian regime, to less than one-fifth.

What is that particular system that, in the opinion of the experts, corresponds to Russian specifics? To ascertain this, the experts were given three questions: 1. “What kind of social system corresponds to Russian specifics?”; 2. “What kind of economic system corresponds to Russian

specifics?"; and 3. "What form of constitutional arrangement would most suit Russia?" I shall quote the responses that were obtained (percentage of those polled):

A mixed economy: strong state regulation with a limited private sector.....	56
A capitalist economy.....	22
A Soviet-type economy.....	7
Do not know.....	15

The vast majority of experts cited one form of mixed economy or another. Here are some typical responses: "Russia needs state capitalism—a mixed economy with strong state regulation and a limited private sector." "A mixed economy with a social orientation, the regulatory role of the state, effective incentives to labor, and free enterprise." "An economy combining the best from the Soviet economy and from capitalism." "An economy prudently combining collectivism and individualism." "A planned economy with developed market relations." "Multi-structure production with a preponderance of collective forms of ownership."

Not to mention the fact that "pure" economic models (usually called "capitalist" and "Soviet") were cited by considerably smaller proportions of experts, the descriptions of these models proved to be multi-structural also. Thus, the experts who believe that a capitalist economy corresponds to Russia's traditions emphasized the need for the participation in it of the state and, particularly, for "the state's protection of human rights."

Responding to the question of the kind of social system that most corresponds to Russian specifics, experts cited the following types of such systems (percentage of those polled):

A system similar to the Soviet system.....	5
A system with social justice.....	11
Something between socialism and capitalism, but with a minimum of social safeguards.....	48
Socially oriented capitalism.....	21
European-type capitalism.....	10
A communal system.....	5

As we can see, the majority of experts cited mixed types of economic systems and some intermediate (between capitalism and socialism) types of social systems.

An important detail was revealed in the responses to the question as to the kind of form of constitutional arrangement most suited to Russia: The largest number of "votes" was amassed not by purely authoritarian or purely democratic regimes, but by mixed regimes, specifically, a democratic regime with a strong executive. The experts displayed considerable subtlety and imagination, even. The following such responses were typical: "Russia needs democratic authoritarianism"—a democratic republic with a strong executive. A leader relying on a Duma-type national government is needed." "A strong executive presidency balanced by a strong legislature is needed." "A strong state, as

the ally of the plebs, more authoritative than in the West, with elements of the sacral nature of the president, is needed."

If we attempt to extract the "solid residual" from the opinions expressed, it transpires that a particular democratic system with a strong executive, a mixed economy, and the preservation of social safeguards is essential for Russia. The boundaries between capitalism and socialism were with the experts blurred, inasmuch as the experts see one and the same thing in both: state paternalism and social safeguards. Speaking of the capitalist economy, the experts emphasize its social focus almost to the same extent as the development of private property.

This image of the future reflects the opinion not only of the group of 200 persons but also, evidently, a substantial part of the Russian elite also. To what does it testify?

First, the Russian elite has to a large extent accepted many capitalist values that even recently were considered in Russia impermissible. But in having accepted them, it has not abandoned the traditional, Soviet, socialist, values. It has cross-bred these two species of values, as it were, having created the image of some centaur-system combining the pluses of both systems: the values that were declared by the CPSU with the values of a summary image of capitalism.

Second, despite the existence of elements of liberalism in the economy, the image of the future that was revealed in respect to the constitutional arrangement proved very rigid. Regardless of what the specific correlation of state regulation and economic liberty would be, the experts believe that a strong executive in Russia is essential. The question of the kind of state forms in which it should be embodied is of less importance to them.

Is it possible to speak of this practical effect or the other of this image of the future on the development of events in the country, and if so, what might this effect be? In principle this image is more of a "conciliatory" than conflict-engendering nature. As we have seen, the experts relegate the polar systems (socialism, capitalism) to the background and move to the forefront intermediate, mixed, multi-structural systems. This promises social accord, it would seem.

But real life is more complicated than even the most sincere opinions. And in real life there are two conflict-producing forces. First, the polar economic systems, capitalist and Soviet, are not practically combinable. This was expressed at the start of perestroika in a classic aphorism by L.I. Piyasheva: "You cannot be a little bit pregnant." Second, the human consciousness is multi-layered, and conciliatory and confrontational ideas easily get along in it together. People may "by and large" be (and are in fact!) for accord but actually continue to struggle for their group interests. As a result, society is in a situation of political wars.

3. Image of the future and the pluralism of the present social consciousness

An analysis of the opinions of the 200 representatives of the political, economic, and intellectual elite on Russia's future showed that this stratum of society does not yet have a common opinion on its desired future. The responses to the question, "What idea could integrate Russian society?" may serve as a striking example. We obtained more than 10 different answers, each of which represents a particular ideological direction. The experts cited: 1) the idea of Russia's spiritual revival; 2) the idea of Russian national distinctiveness; 3) the idea of the creation of socially oriented capitalism; 4) the idea of social justice; 5) the idea of the greatness of Russia and the creation of strong statehood; 6) the religious idea; 7) the idea of communism; 8) the idea of socialism; 9) the idea of a Russian economic miracle; and others. The responses to many other complex questions of modern Russia were similarly varied.

What does this mean? It means that although actual processes are moving in the direction of the country's capitalization, in the ideological sphere a historical choice in favor of this social system or the other has yet to be made. The consciousness of the elite is rushing between different and even opposite ideological platforms defended by different strata of this same elite. Although, I repeat, actual processes are moving in the direction of capitalization.

At the present time the ideological, theoretical analysis of the dynamics of Russian society is very inadequate. Actual processes are considerably outpacing their conceptualization, which is occupying the intellect hardly at all. It could be objected that the present practiciness is a healthy reaction to the communist utopia of the recent past. But granted all the justification of the present practiciness, the evasion of the question of the future alternatives and of the type of social system most appropriate for the country is an indicator of that aspirationality, that lack of big ideas, that lack of specific reference points about which I have been writing. It is possible that this also is a healthy reaction to the ideologization of life and excessive social control that existed in the USSR. But we should not throw out the baby with the bathwater.

Decrees on Agricultural Reform Critiqued

944Q0546A Moscow KOMMERSANT-DAILY in Russian
6 Aug 94 p 2

[Article by Viktor Ivanov: "Government Decides To Combine the Old With the New"]

[Text] In accordance with annual tradition, harvesting the crop is accompanied by a flash of activity in the agrarian policies of the authorities of Russia. Decrees entering official circulation yesterday demonstrate that the authorities intend to stimulate agricultural production output using two—mutually exclusive—methods: the traditional material-financial support rendered to enterprises of the agro-industrial complex, and formal market incentives for redistribution of land and property to the benefit of effectively operating landowners.

The decree "On Additional Measures in Harvesting the 1994 Crop" demonstrates that, as before, the authorities do not intend to abandon methods of supporting agriculture that were tested in the Soviet era.

[Begin boxed item] From the Decree "On Additional Measures in Harvesting the 1994 Crop"

- The Government Commission on Credit Policy Matters is to allocate in August 1994 R1 trillion of centralized credit resources for the conduct of harvesting efforts and examine the question of allocating R2 trillion prior to the end of third quarter 1994.
- It is recommended that commercial banks afford credits to agricultural producers who find themselves in a difficult financial condition.
- The Ministry of Finance is to allocate federal budget funds for reimbursement of expenses incurred in dispatching motor vehicles for harvest work. [End boxed item]

The enlistment of workers at enterprises and institutions (especially drivers) to assist agriculture appears particularly traditional. Moreover, it is envisaged that 2,500 motor vehicles belonging to the Ministry of Defense will be dispatched for gathering the harvest, and some "motor vehicle battalions" will be formed. The decision to allocate supplemental credits to the agro-industrial complex amounting to R1 trillion sounds entirely trivial, as does the recommendation of the Central Bank to once again postpone collecting interest payments from the agro-industrial complex for short-term loans provided in 1993-1994.

The only new aspect is the fact that it has been decided to actively enlist commercial banks in the harvesting operations—the document recommends directly that they afford agricultural producers credits under the security of agricultural output or guarantee of the executive organs of authority. This is not surprising. After all, in recent times commercial banks have been viewed quite officially as a key mechanism in state financial policy.

But—and this is typical of Russian authorities—they are attempting to combine "Soviet" measures in agrarian policy with accentuated market methods of stimulating the agrarian sector. The decree "On Reforming Agricultural Enterprises Taking Into Account the Practice of Nizhny Novgorod Oblast" officially approves and recommends for use a plan for the transformation of agricultural enterprises structured on intra-farm auctions of land and property.

This plan, developed by the International Finance Corporation and the Young & Rubicam company, has been in use in Nizhny Novgorod Oblast since the end of 1993. The plan was developed with a simple aim—to bypass restrictions on the resale of land parcels. All kolkhoz members obtain from the outset the formal right to equal land allotments and property. From that point on, however, buying and selling, giving as a gift, and exchanging certificates of land allotment and property shares are possible within the farm. These certificates then act as means of payment at intrafarm land

auctions—in this manner, according to the authors' intent, an individual who has accumulated more certificates can purchase the land.

[Begin boxed item] From the Statute on Reforming Agricultural Enterprises

- The main stages in reforming enterprises are an information campaign, state registration of partnerships and enterprises of other organizational forms, completion of transactions involving land allocations and property shares, the conduct of intra-farm auctions for distributing land and property, the transfer of land and property to persons receiving these at auctions, and state registration of the agricultural enterprises created as a result.
- With the aim of consolidating land allotments and property shares for subsequent in-kind acquisition of land and property, the holders of allotments and shares have the right to use them in concluding transactions.
- The exclusive eligible participants in an intra-farm auction are holders of land allotments and shares (the means of payment here are "hectare-points" and "share rubles"). Auctions for the distribution of land and property are conducted separately.
- During conduct of an auction, lots are presented in the following sequence: arable land, perennials plantations, hayfield, pasture land. Fixed capital assets are indicated by category—tractors, trucks, combines, livestock farms.
- Over the course of two weeks following an auction, auction participants may exchange land parcels and property acquired. [End boxed item]

The fact that the government officially supports such an "informal" scheme, originally intended to bypass legislative restrictions, is of course quite singular. Nonetheless, we need not be astonished—the government is compelled to demonstrate to all, especially the West, its striving to redistribute land in favor of effective landowners.

Deputy Property Committee Chairman on Privatization Part II

944F1176B Moscow ROSSIYSKAYA GAZETA
in Russian 4 Aug 94 p 3

[Interview with Pyetr Mostovoy, first deputy chairman of the RF State Committee on the Administration of State Property, by Yelizaveta Leontyeva; place and date not given: "The Voucher Went Away, We Are Changing the Course"]

[Text] Pyetr Mostovoy, first deputy chairman of the RF State Committee on the Administration of State Property, comments on "Basic Provisions of the State Program for Privatization of State and Municipal Enterprises in the Russian Federation After 4 July 1994" published a few days ago.

[Leontyeva] Pyetr Petrovich, why were "Basic Provisions" prepared? Was there an acute need for this?

[Mostovoy] Let us say the following: If not for the change in one factor alone—termination of the activity of the privatization voucher—it would have been possible to do without a new program and to work on the basis of the previous one. However, once the voucher "went away" (previously, 80 percent of the property was sold for vouchers), the guidelines had to be changed.

[Leontyeva] Was it impossible to begin privatization immediately from the second stage? There are disputes about this to this day. Not to organize a "voucher spectacle" throughout the country, but to sell property from the very beginning?

[Mostovoy] I would like to draw attention to the fact that, in essence, the third, not second, privatization stage has begun now. The first was before November 1992, before the introduction of vouchers. In some things this conditionally first stage was similar to the present one. At that time stores and small enterprises were bought out from the state. However, at that time we encountered the following: There was something to sell, but no one to buy it. There was no money. It was necessary to give the enterprising person funds into his hands, so that he could buy a business and, moreover, set it "on its feet." The voucher stage was conceived for this. Furthermore, social motives—an equal access to opportunities "to become entrepreneurs"—played a role here.

[Leontyeva] Equal opportunities is a controversial question. It also remains controversial today, at the money stage of privatization. Does the same director of an enterprise or a rayon head of a desk have more of them than an ordinary worker?

[Mostovoy] The director has always had these opportunities, but now, under voucher privatization, the opportunities of the powers that be, conversely, have diminished. Therefore, precisely those that were the mouthpiece of the lovers of a division of property "among themselves" objected to privatization carried out strictly according to law.

I must say that now the law is on the side of those that were hurt during the spontaneous development of privatization. It restores justice, which has been trampled upon.

[Leontyeva] Have we not privatized too much in a short period? Can you mention what share of property has now left the hands of the state?

[Mostovoy] No, in my opinion, we have privatized too little. With regard to figures or percent, they say little. It is possible to count the number of enterprises converted into joint-stock companies or sold and turned into private firms. It is possible to take the total value of state property and to calculate what part of it has been transferred to other hands. One hardly jibes with the other. In the first case this will be a little more than 50 percent and in the second, about 70. The share of goods produced at private enterprises is the most important indicator of privatization. This is only a little over 40 percent.

[Leontyeva] Does this not point to the formality of the process of privatization?

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[Mostovoy] This points primarily to disproportions in our economy, especially to disproportions in the list of goods. As soon as liberalization of foreign economic activity began, immediately goods, which are unprofitable to produce here but profitable to import, began to be imported into Russia. That is precisely why the present consumer market looks differently than in 1990-1991. However, this is only the first step, because enterprises stubbornly continue to produce goods that do not find a market.

[Leontyeva] You proceed from the fact that in a normal economy the owner or the manager of an enterprise changes the production structure and begins to produce other goods...

[Mostovoy] Or sells the firm—this is also a normal reaction to a bad market. However, the state often keeps in its hands what should be sold and even includes such enterprises on a list of those not subject to privatization. Ministries do not want "to be compressed"—this is a blow to their administrative status. Although logic is very simple here: If the people do not need your goods, who needs your ministry? After all, it only increases the expenditures of the state, which is forced to carry the burden of maintaining such sectors or subsectors.

How to get out of the deadlock? The market must solve this problem itself, for which privatization has begun. In 1993-1994 the first annual stockholders' meetings were held. They showed that this was a normally operating mechanism. It remains only to repeat once again: It is a pity that in this process we have not gone as far as one would like.

[Leontyeva] Nevertheless, joint-stock companies time and again keep asking the ministry for money, like ordinary state enterprises.

[Mostovoy] The scale of this phenomenon is connected with what I have discussed—with insufficient privatization, or underprivatization. An enterprise is converted into a joint-stock company, but the controlling block of shares remains with the state. If it is converted into a joint-stock company, but, as before, goes "to the top" for money, it means that this was a formal act.

[Leontyeva] Many questions with the assessment of the value of enterprises arise now, at this stage. It is not clear why this includes the evaluation of property, but does not include nonmaterial assets—intellectual property, for example.

[Mostovoy] In our economy will you be able to assess the value of a patent or know-how? I assure you that you will not, because their market does not exist in our country. Our legislation is constructed in such a way that it has been impossible to alienate this object. I could either make use of it myself, or provide services for its use to someone else.

Once there is no market, it means that nor is there any price on intellectual property. It can be said that it is zero. Now, however, the second part of the Civil Code is being drafted. It provides for norms regulating the rights to the objects of this property, which still finds itself on a wild market.

[Leontyeva] What nuances have you noted in the methods of privatization at the present stage?

[Mostovoy] In principle, they are traditional to the utmost and are affirmed by the law on privatization. Now they have been repeated in "Basic Provisions." There are nuances. For example, an enterprise can be purchased in an investment contest—this variety of contests appeared in 1993. Its point is to sell shares not to any investor, but only to those that want to assume the obligation to invest certain funds in this enterprise. Today this method promises to become one of the basic ones.

A specialized money auction for the sale of shares will also appear. It represents the generalization of the experience of voucher auctions. Its merit is that a purchase is guaranteed to everyone that decides to participate in it. It is good for insurance investment funds and pension funds, that is, for investors interested in having a small, but a reliable, block of shares.

[Leontyeva] Who chooses one method of sale or another for a specific enterprise?

[Mostovoy] Until now the method of sale has been determined by the Committee on the Administration of Property—it gave guarantees to voucher owners. On the other hand, property funds follow the situation on the market: It would be good to sell this now and that, later. Therefore, the choice of the method of selling shares is now decided by them jointly, for which a special commission is established.

[Leontyeva] What are the criteria of the choice of one method of privatization or another?

[Mostovoy] There are two of them. The first, when we examine an enterprise from the standpoint of received earnings. The second, when we take into consideration the interests of one or several interconnected enterprises. Sometimes there is no need to chase after a price, especially if the facility being sold is in a difficult state. After all, those that buy it must have money left over in order to work on it in real earnest. Thus, there will be a specific approach to chronic debtors.

[Leontyeva] Please specify the attitude toward former enterprise workers as participants in privatization. "Basic Provisions" state that a person who worked 10 years and left can become such a participant. And if he worked 10 years at each of three enterprises?

[Mostovoy] He has privileges at each of them. Everything depends only on whether he has enough money. In principle, having read an announcement about a closed subscription to shares, let him take his labor book and, as people say, go for it.

[Leontyeva] Taking world experience into consideration, an enterprise can be sold even for 1 mark or dollar. How are things in our country?

[Mostovoy] This is not ruled out. The whole point is that the buyer must also pay its debts. But they can be huge. Moreover, potential buyers now have very little money.

[Leontyeva] Consequently, the process will not be rapid?

[Mostovoy] Yes, it was not and it will not be rapid now.

[Leontyeva] What results do you expect in 1 year of the realization of this new program?

[Mostovoy] It would be good to discover at the end of the year that at least the bulk of small enterprises have been transferred to private hands. We should also become convinced that the transition from voucher privatization to money privatization did not have a negative effect on the course of reforms.

Decree on Agrarian Reform Program

944F1176A Moscow ROSSIYSKAYA GAZETA
in Russian 4 Aug 94 p 4

[Decree No 791 of 6 July 1994, Moscow, On the Program for Agrarian Reform in the Russian Federation for 1994-1995]

[Text] For the purpose of the further development of agrarian reform and the creation of organizational-economic, financial, and legal conditions for an efficient management of agro-industrial production, formation of an agrarian market, and social revival of rural areas, the Government of the Russian Federation decrees:

1. To approve the attached Program for Agrarian Reform in the Russian Federation for 1994-1995 (hereinafter called Program) developed by the RF Ministry of Agriculture and Food jointly with interested ministries and departments of the Russian Federation.

2. Federal bodies of executive power and bodies of executive power of subjects of the Russian Federation shall organize work on the Program's realization and improvement of the forms and methods of the agrarian reform being implemented.

3. The RF Ministry of Agriculture and Food, the RF Ministry of Economics, and the RF Ministry of Finance within a 30-month period shall submit to the Government of the Russian Federation proposals on the procedure for and volumes of financing of measures provided for by the Program for 1995.

4. To recommend that bodies of executive power of subjects of the Russian Federation analyze the state of agricultural production and elaborate regional programs for the development of agrarian reform with due regard for this Program, local conditions, and experience accumulated in the implementation of agrarian transformations.

The RF Ministry of Agriculture and Food, the RF Committee on Land Resources and Land Management, the RF Ministry of Economics, the RF Ministry of Finance, and the Russian Academy of Agricultural Sciences shall render assistance in the elaboration of regional programs for the development of agrarian reform.

5. The RF Ministry of Agriculture and Food, the RF Ministry of Economics, and the Russian Academy of Agricultural Sciences, with the participation of interested ministries and departments of the Russian Federation, shall work out and submit to the Government of the Russian Federation during the first quarter of 1995 a draft

program for the development of agro-industrial production in the Russian Federation before the year 2000.

6. The RF Ministry of Agriculture and Food, jointly with the Russian Federal Service on Television and Radio Broadcasting, shall organize regular addresses by managers and specialists of the agro-industrial complex on television programs and in radio broadcasts on problems of agrarian reform in the Russian Federation.

[Signed] V. Chernomyrdin, chairman of the Government of the Russian Federation

Remark. The Program for Agrarian Reform in the Russian Federation for 1994-1995 is not published.

Railway Construction Chief Views BAM Mainline

944E1109A Moscow GUDOK in Russian 3 Aug 94 pp 1-2

[Interview with N. Grom, chief of the Design and Capital Construction Administration of the Ministry of Railways, by Vadim Gitkovich; place and date not given: "Second Line to the Ocean"]

[Text]

[Gitkovich] Nikolay Petrovich, 20 years have passed since the beginning of the construction of the Baykal-Amur Mainline. How do you evaluate from the standpoint of today the laying of a second line to the ocean?

[Grom] First of all, a railroad several thousands of km long was built in the depths of the taiga, over mountainous and swampy localities, and over the permafrost. And not merely rails in two rows, but also many stations with the necessary service and residential buildings, schools, kindergartens, hospitals, depots, and track shops; in brief, with everything or almost everything that is required.

All this was not only built, but was also put into permanent operation along the whole length of the start-up complex in 1989. Parts of the complex began to operate even earlier. Since 1980 more than 350 million tonnes of freight and more than 51 million passengers have been transported by BAM.

[Gitkovich] You said: "with everything or almost everything." What did you have in mind?

[Grom] First of all, it must be remembered that the mainline was put into permanent operation along the whole length of start-up complexes. This means, at 45 percent of the production capacity at the western section (from Ust-Kut to Tynda) and at 66 percent, at the eastern section (from Tynda to Komsomolsk-on-Amur) with provision with projects of the social sphere at the rate of 80 to 95 percent.

Although the railroad now copes with the freight flow, its construction up to the planned capacity must be completed. We will not always be so feeble. In any case it is necessary to complete the Severomuysk Tunnel and to build the Shakhtaurm Technical Passenger Station, the only one on the Baykal-Amur Railroad that transports 5 million passengers annually. It is also necessary to commission a number of other projects for production purposes and to complete the development of the social sphere.

Decree No 20 of 4 January 1992 of the RF Government "On Measures To Complete the Construction of the Baykal-Amur Mainline and To Build the Berkakit-Tommot-Yakutsk Railroad Line provides for the completion of BAM construction in the planned volume in 1995.

The balance of the planned estimated cost of the BAM complex at the time when the decree was issued totaled 2.7 billion rubles (in 1991 prices) and the fulfillment of this decree required an annual allocation of no less than 600 million from the state budget.

[Gitkovich] How is this decree being fulfilled?

[Grom] Alas, there is nothing to brag about. In 3 years, including this year, only 783 million were allocated. However, even these funds (in present prices) were transferred by the RF Ministry of Finance irregularly, with big delays. Although work on the construction project did not stop, by the beginning of this year, owing to incomplete financing, the balance of capital investments, which must be used, totaled 2.2 billion rubles (in 1991 prices). During the first 5 months of 1994 the Ministry of Finance transferred less money than we owed for work performed last year.

However, prices are rising steadily. Although in July out of the funds allocated for our construction projects by the state the ministry allocated 13.4 billion rubles to the BAM complex, at the beginning of August debts to BAM builders exceeded 55 billion.

I have mentioned so many figures so that readers may have an idea of how financing is ensured. Of course, its shortcomings create the threat that the set date for the completion of work will not be met.

However, I stress that the mainline operates even under these conditions. Although, besides, it also experiences additional difficulties owing to nonpayments by freight dispatchers for shipments. However, this is a separate matter.

[Gitkovich] You mentioned the Severomuysk Tunnel, which is more than 15 km long and where construction conditions are unusually complex, as one of the decisive projects. How are things going there?

[Grom] On 1 July 930 meters of the main tunnel and 537 meters of an exploratory transport-drainage adit (out of 15,343 meters of the full planned length) remained to be worked.

According to tunnelers, the entrance to the fourth zone of fracture, the length of which was estimated at 600 meters by reconnaissance, including space reconnaissance, hampers and slows down tunneling.

Much time has passed since then. This distance was covered a long time ago. But references to the fracture still continue. It turns out that the most experienced designers, who have been working on this tunnel for almost 20 years, again have made more than a double mistake. This is improbable. I think that organizational shortcomings and irregular financing are the real reasons. On 1 August debts to tunnelers for performed operations exceeded 18 billion rubles.

The completion of the driving of the Severomuysk Tunnel also determines the date of completion of the entire mainline construction. That is why the Ministry of Railways pays special attention to this project. If the Bamtonnelstroy contracting organization solves organizational-technical problems and the client, financing problems, the completion of work on the tunnel can be ensured in 1996.

[Gitkovich] However, the Severomuysk Tunnel is not the only project, the construction of which must be completed. What is the situation in other projects?

[Grom] There is still a lot of work. In addition to a technical passenger station, some other projects need repair and maintenance bases and public trade centers. Boiler houses must be expanded in Tynda, Urgal, and Fevral'sk...

A very important, although a small, volume of work must be done on projects of the social sphere, housing, kindergartens, and schools. It is necessary to finish the hospital at the Chara Station, the construction of which was not completed by Kazakhstan's patronage organizations, which abandoned the project after the breakdown of the USSR.

[Gitkovich] Does only the lack of money prevent the completion of all this work?

[Grom] Not only that. The shortage of skilled personnel has now become a considerable hindrance. Suffice it to say that in 1992-1993 the total number of builders at the western section was reduced by more than 20,000. The outflow of people is due to the insufficient allocation of investments, delays in wage payments, and a poorly organized way of life. After all, temporary structures have long outlived their usefulness, but continue to be used in connection with the extension of the period of BAM construction, which, incidentally, is also due to the nonallocation of sufficient funds.

[Gitkovich] We will hope that money will be found and the epic of the great construction will have a happy ending. About 5 or 6 years ago a waterfall of criticism came down on BAM in all information media. Later sobering set in. Everyone seemed to acknowledge the need for and the great importance of BAM. However, echoes are heard.

[Grom] Of course, those that built the mainline, very likely, will be offended by the very impassive account of the history of this event. The entire life of the mainline also looks joyless, or depressing, to say the least (if one is to believe articles). Bears and wolves feel themselves the masters here, rails are rusty, the track is overgrown with wormwood, and settlements are empty... There is no one here except stray dogs and drunk aborigines. Horror!

Undoubtedly, this, too, can be found at BAM, especially if one wants to. It is a great pity that correspondents did not see the more than 40 most beautiful stations and well-planned settlements, where there are 1.2 million square meters of housing with comfort, which, unfortunately, many older roads do not have yet. Nor did they see a great number of schools, kindergartens, polyclinics, hospitals, and public trade centers. Perhaps they did see them, but on purpose placed an emphasis on another thing in order to draw, in my opinion, a correct conclusion: "Undoubtedly,

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today there is a need for a new philosophy of development of the country's eastern regions. We must return to BAM with special attention and concern. Let us think about this."

The mainline did not lose its significance because of the decrease in the amount of traffic on it, as, incidentally, on all other railroads in Russia. As is well known, BAM must accomplish four large-scale tasks. The first. The development of natural resources in the vast region encompassing not only the BAM zone (more than 1.5 million square km directly adjoining the mainline and its branches), but also the country's entire north-east from Tayshet. The economy of this gigantic region was based yesterday and is based today on the Trans-Siberian Railroad. However, partially today and to a greater extent tomorrow it will begin to rely on the Baykal-Amur Mainline, which passes 400 to 700 km to the north.

BAM was laid through the northern regions of Irkutsk, Chita, and Amur oblasts, Khabarovsk Kray, and the Buryat Republic, as well as through the southern regions of the Sakha Republic (Yakutia). These regions needed such a mainline for a long time. It opened access to coking coal, iron and copper ore, non-metallic mineral resources, and timber (1.5 billion cubic meters of it alone were concentrated in the indicated and adjoining regions).

This will make it possible to develop in an accelerated manner productive forces in the entire region, forming large territorial production complexes, such as the South Yakutia Complex, which sprang up exclusively owing to BAM, with a center in the city of Neryungri. It has operated for more than 15 years and annually ships more than 10 million tonnes of coal for export and for internal Russian needs. Several timber industry complexes operate. Their entire output is transported by the Baykal-Amur Railroad.

The mainline's second task is to ensure transit freight and passenger transport over the shortest distance to Priamurye, Primorye, Khabarovsk Kray, and Yakutia and to significantly shorten the route in mixed railroad-sea transport from Vanino to Sakhalin, to Magadan, and to Kamchatka.

With the sharp increase in the cost of airline tickets, that is, 1.5- to 2-fold, which exceeds the railroad fare, the sphere of passenger transport in the BAM zone and in the entire north-eastern region will expand. It is characteristic that with a 25- to 30-percent decline in the volume of freight transport the volume of passenger transport is not decreasing.

The establishment of the shortest railroad route between Europe and Asia, which passes entirely on our country's territory, has become BAM's third task. This opens up vast opportunities for container and passenger, including tourist, transport, which should completely load the railroad, the production capacities of which are now not used sufficiently. However, if they are used properly and the carrying capacity is increased, a great deal of currency could be earned on transit.

Finally, BAM is of strategic importance as a backup for the Trans-Siberian Railroad and any malfunctions and stoppages in traffic occurring from Tayshet to Volochayevka now are not terrifying, because it is possible to send the freight flow by BAM, not to interrupt supplies for East Siberia, the Trans-Baykal Area, Priamurye, Yakutia, Khabarovsk Kray, and other districts in the country's vast regions, and to ensure export-import relations with countries in South-East Asia.

BAM is accomplishing all these tasks. Unfortunately, for reasons not depending on the Ministry of Railways the development of the BAM zone is proceeding very slowly. In essence, only coal and, partially, iron ore deposits in South Yakutia are being developed now. The most unique copper deposit in the region of Udokan, the reserves of which are bigger than in all South America, lies motionless. The same can be also said about many other very valuable mineral reserves.

We will live to see M. Lomonosov's prophetic words—"Russia's wealth will increase because of Siberia"—become a reality. Then BAM will begin to operate at full capacity and our offspring will say a big thank you to its builders. I would like this to happen as early as possible. We are able to solve the Baykal-Amur Mainline's own problems in the next few years. If only there is regular and full financing.

It is important to remember that the entire economy of East Siberia and the Far East today is supported by two transport arteries—the Trans-Siberian Railroad and BAM. Yes, money is needed to complete the construction of the second line to the ocean. A flexible tariff policy must be implemented so that communication between the Center and the Far East is not cut off. However, the chief thing has been done: The homeland has received a second excellent transport outlet to the ports of the Pacific Ocean.

Minister Views Railway Apparatus Operations

94AE1146B Moscow GUDOK in Russian 17 Aug 94 p 1

[Article by L. Patronova: "A Meeting of the Minister with the MPS Collective"]

[Text] G. Fadeyev, minister of Railways, held his regular meeting with the MPS staff of workers on 15 August. In the course of the meeting, the minister outlined the situation which had formed on the railroad network, noted the basic directions in the work of the central staff, dwelled on the situation in the social sphere and answered questions.

G. Fadeyev emphasized that very important indicators in the activity of the central staff are a mutual understanding with the sector's worker collectives on all the problems, and the coordinated work of the entire transport conveyer. The main result of this activity is that we have made the government aware of the fact that the state cannot manage without a unified system of Russian railroads. We have obtained from the government, said G. Fadeyev, the only correct decision in the economic situation which has formed—our sector was granted the right to index transport tariffs independently—because it cannot run railroad transport free of charge. The railroad workers suggested

that the other sectors follow their example by freezing tariffs for the month of August. We are prepared to prolong the August tariff policy for another month for enterprises which agree to clear their debts to the railroad workers by 25 percent.

This is the third year that precise fulfillment of the Tariff Agreement has ensured the stable work of the sector and the general social state of its collectives. This document, the minister emphasized, has essentially created an atmosphere of calm in the sector. In the second quarter, the task was set of paying wages on all the railroads. Unfortunately, the Transbaykal did not manage to do this. Despite the cut in the number of workers, in accordance with the lessening of the transport volume, the railroad workers are not losing confidence in tomorrow—the cut is taking place only through the natural efflux of personnel.

The situation here is not a simple one, though. If the drop in transport volume continues in the future, the situation will become more difficult. The point is not a further cut in the contingent, since 70 percent of the work force does not depend on the transport volume, but rather, how to sustain and with what to pay this part that does not depend on the transport volume. This problem must be worked out right now, it must be known and seen clearly.

The sector has huge debtor indebtedness today. It will continue to grow, because inflation has not yet been checked.

The supervisory corps of other sectors reproaches us, the minister continued, they even say that we are the main cause of the inflation, because we raised our tariffs. A week ago, however, V. Gerashchenko, chairman of the Central Bank, named this figure: the enterprises have over 20 trillion rubles [R] in their accounts, that is, they have money. This means that they have something with which to settle, let us say, with the roads for transport services. The railroad workers must be more severe with the clients. My position on this question, said the minister, is clear: I am fully on the side of the road chiefs, who must take stiff measures in their regions: give—or do not give the railcars, carry—or do not carry, draw up the contract documents.

We have so far failed to solve the problem of recovering the debtors' debts. What is acceptable, for example, on the Moscow Railroad, is unacceptable at Chita. The minister addressed the economists on the staff, the workers of the Finance Administration, the Transport Main Administration—produce new approaches and solutions. If the payment dynamics remain this way any longer, it can already be said that the Tariff Agreement will be problematical in its content.

G. Fadeyev named the state of train traffic safety as the second important problem. All those attending are probably still affected by the catastrophe on the Southeastern Railroad. The minister was at the site of the wreck. He saw a grim picture—dead and maimed passengers, the inconsolable grief of the relatives, the death of the engineer of the electric train (his parents' only son), who had managed, in the last seconds, to apply the emergency brake and open the automatic doors of the cars. It was not the fault of this

engineer, it was not the fault of the Russian railroad workers either, it was the neighbors who were to blame—the Ukrainians—but a misfortune is a misfortune. In this connection, the minister brought in a number of cases on different roads, not always with serious consequences, but caused by the same thing—negligence and disregard of safety practices and instructions.

Questions of traffic safety, the minister emphasized, should be constantly within the staff's field of vision, there should be a system for monitoring this problem, and not the slightest violation should be allowed, particularly in passenger traffic, even if it does not have serious consequences.

The next question on which G. Fadeyev dwelled was passenger transport, which he justly calls the sector's persona, its visiting card. There is a great deal of unfinished work here. What is happening at the ticket windows and on the trains passes understanding. He rightfully criticizes us—you can no longer get a ticket at the ticket window. He told, for example, of how a deputy minister (he did not give the last name) had gone up to a train, and the conductor (ours, a Russian) said to him: you pay 40,000 and you ride. If you revert to the image, to the persona of our ministry, it is losing on two points—traffic safety and passenger transport, summed up G. Fadeyev. We must concentrate our work on this.

In passing on to the social problems which worry the workers on the staff, the minister touched on housing, wages, public health, provision with boarding houses and other problems, and answered the questions of all those attending.

In conclusion, the minister thanked the staff members for their help in the work and expressed the desire to have them as allies.

Railway Tank Car Cleaning, Painting Facility Under Construction

944E1146A Moscow GUDOK in Russian

17 Aug 94 pp 1-2

[Article by V. Peremyshlev: "Look, Learn and Criticize: A Report from the Ryazan Petroleum Refinery"]

[Text] A shotblast cleaning and painting shop for tank cars has gone into operation on the territory of the Ryazan Petroleum Refinery. In the opinion of specialists, it is one of the best, and perhaps even the best shop of its type in the world.

The other day its owners, the limited liability partnership, SFAT-Ryazan—the daughter organization of the well-known Russian-Finnish-American enterprise, SFAT, and the refinery workers invited the responsible officials of the MPS, specialists of the parent enterprises and representatives of the press, so that the refinery could show off its offspring at work.

I will immediately specify the interest of the MPS in this commercial organization: the ministry is the co-founder of SFAT. Indeed, yesterday's railroad workers are at the helm of the organization now. In many ways, this is perhaps the

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reason why these people are by no means indifferent to things on the mainlines. One can only be glad that from now on, rolling stock will arrive at the roads in good condition, and what kind of stock—tank cars, which are in short supply on the network. Moreover, this is additional work, the volume of which continues to fall in transport.

There is another circumstance which is quite important for life today—the tank cars of the SFAT workers gladden the eye with their exterior appearance. There is, again, a practical side to this: They do not allow our dirty tanks into Europe, but these—get a green light. What is remarkable in general is that SFAT is prepared to open wide the doors of its shops to railroad specialists: look, learn and criticize. It is above all a question of teaching the advanced technology and the standard of production. It is of this that I would like to speak in greater detail.

I have had occasion to work at enterprises, and then to visit them as a journalist, and I kept hearing—the standard of production, the standard of production.... Ask even a specialist what this is—not everyone will answer. Not because he doesn't know. The thing is, that there are many components of this standard, and they are not combined mechanically, but melded together. In addition, the standard of production is directly related to the person. The standard, like the features of one's character, should be in the blood of the worker. Just like cleanliness, for example. Some people are born with it. Others have to add it in the process of working. There are two components of the standard, however, without which it would be unthinkable—these are perfected technology and the cleanliness of the work place. Without advanced technology, no matter what efforts you make, you will not achieve cleanliness.

It would appear that they understand this very clearly at Ryazan—the cleanliness begins with the territory itself. This especially strikes the eye. I won't paint a vivid picture of this, but upon entering the refinery's territory, enclosed by a wire fence, you find yourself in an oasis of cleanliness and aesthetic design: concrete, lawns, and in the center—a sky-blue building with white doors made of stainless steel and large windows.

In order to have done all at once with all these sighs for the beauties of the mere everyday plan, let us say that the wing, 150 meters long, is made of heat-insulated metal panels. The doors close noiselessly but tightly, keeping in the warmth. Finnish plumbing hardware and a cloakroom with metal lockers, without the famous padlocks. Showers, medical service station and offices—everywhere it is not just clean, but spotlessly clean. After this, you believe and are not amazed when they say that the Ryazan people working here bring their children here as if it were an excursion. They are proud to be working under conditions like this.

The beauty did not come easily. About 60,000 cubic meters of swampland were excavated, and a kilometer of drainage channels and six kilometers of tracks, etc. were constructed. At the end of January last year, when the first third of the piles were driven in, few people believed that the product would be ready in a year. It was: in March,

eight tank cars came out of the paint shop, in April—31, and in July—106. The total for the half year—229.

Up to the end of June, the production facility was unprofitable. In July they cleared off the debt and obtained 23 million rubles [R] profit. The entire construction project—and it is proposed to erect a washing-steam-cleaning station and a depot here—is estimated for 38 months, and 17 of them have passed. For the time being, routine repair is more reliably carried out at the Rybnoye railcar depot, and tank-car washing—at the Stenkino-2 Station. The desire of N. Korenevskiy, deputy chief of the MPS Railcar Administration for Freight Car Repair and Operation—to create a unique sanitation complex at the same site and to show true quality, is being put off for almost two years.

But they can already show and teach you how they must paint the tank cars today. Tank cars, washed on the outside, arrive from the Stenkino-2 Station for painting, standing still in front of the first mechanical stop. The shop door is raised, and the railcar is pulled by winch to the first station. This is the beginning of the technological cycle installed in the computer, estimated as four hours. The first station is simple: the railcar is air-cleaned with hot air. The temperature of the air-cleaning is automatically established and maintained on the basis of the outer air and the temperature inside the facilities. So far there is nothing supernatural, but on the other hand, the next station—the shotblasting—this is something else.

Whoever has seen this operation anywhere even once will not forget it for a long time: dust, incredible noise, even din, from which the special ear-plugs can't even save you, and then vibration that makes the worker's hand shake. Here, there is a robot. The walls are hung with heavy rubberized canvas. Special covers made of the same canvas are on the coupling device of the railcar and the wheel pairs. The purpose of the operation is to loosen the rust, scale and remaining dirt and to bring the surface to a clean metallic luster.

Here is the first encounter with something amazing: the worker, with the shotblaster inoperative, goes over the entire surface of the tank car, getting into the most inaccessible places. The computer software remembers the path of the movement, and one by one reproduces it later on when it is in operating mode, hammering the tank car with metal shot (from 0.4 to 1.5 millimeters in diameter). By the way, after control, the cleaning operations can be corrected. The robot, repeating the person's movement, changes direction and the angles of shooting in the course of the work. You know, this is impressive!....

The next section is the paint shop. Usually in a paint shop, the workers wander around like hedgehogs in the mist. A mist made of dust and paint. Here, though, there is no mist: the electrostatic field does not let the paint "fluff up," sealing it to the metal. At a paint shop there is a mask, under which fresh air is constantly forced. The worker himself is on a platform with telescopic movement—up, forward, along the tank car—whatever you like, you just press the lever. The paint is ordinary, domestic, PF-115.

There is nothing unusual about the drying operation, unless you take into consideration the fact that the entire process, from beginning to end, is program-controlled and carried out, and the quality of the painting is essentially guaranteed. All the inscriptions are applied here, using stencils, in accordance with the album.

You can mention, with moderate rapture, the ancillary shops—everything is the usual: the shears to cut the iron, the drilling machine, the work bench. There is just one difference: all the equipment is Finnish. Like the spare parts for the robotized system—guaranteed for a year, and for one more year in the future.

Incidentally, as S. Perepelkin, chief mechanic of this miracle complex, expressed it, all the equipment loves cleanliness and is very sensitive to dirt. For that reason, everyone wears a "marafet" at his work place. It is shameful not to do this: pharmaceutical cleanliness surrounds you.

"The aesthetic aspect of the transport process, and I include ecological safety in this concept and the standard of servicing the rolling stock and its technical condition, will rise. This complex is an example of the path to take to this," V. Nedorchuk, chief of the Department of Emergency situations and Ecology, deputy chief of the MPS Traffic Safety Main Administration, expressed his opinion, "the paint application, the automated railcar transfer conditions, the reliable system of stops, the exhaust and ventilation system, the telescoping scaffold—all this must be carefully examined and, as far as possible, put into the sector. As for the foreign equipment, I am sure that our country could do just as good a job. Especially if you draw the defense sector into this.

Well, by inviting the guests, the hosts did not conceal their intentions and desire to share the secrets. It is important that such seats of high production standards (world level!) make their appearance.

"The shop is almost uninhabited: the eight or nine people on the shift have begun to work on the line. A completely new standard of work is being introduced here—the people have begun to respect their occupation," added V. Kuzin, SFAT general director. "We want to show, through this complex, that such facilities can be built, even in our difficult times. Moreover, by doing the work ourselves we are providing work for others and putting high-quality, aesthetically pleasing rolling stock on the network. Indeed, we are taking a specific part in helping the railroad workers—we are supplying them with special work clothing, we are participating in the rebuilding of the station, we have repaired a 32-apartment building for our workers, we are equipping the access tracks, etc.

The shop's productivity is 10 cars a day. For the time being we are doing five. Many orders are coming in from outside. Until we put into order our own and the plant tank cars, however, we will not take any outside work.

"We paint pretty well, too," V. Filatov, deputy chief of the Rybnoye Depot for repair, said thoughtfully. "But it takes us two days to hand-clean and paint."

As they say in Odessa—that's another story.

Volga Railroad on Economic Stabilization Issues

944E1146C Moscow GUDOK in Russian 17 Aug 94 p 2

[Article by S. Kasatyy, GUDOK correspondent: "Spend According to Our Resources"]

[Text] The resolutions of the March MPS Collegium on financial stabilization of Russian railroads and divisions is constantly on the minds of the management of the Volga Railroad and the railroad workers' trade union. The work done in this direction in the first half-year was spoken of in detail at the recent meeting in Saratov. The directors of divisions, stations, depots, subdivisions and other sub-units, and of their trade union committees, took part in the meeting.

Yu. Tsittel, road chief, was forced to acknowledge regretfully that the slump in transport volumes, as compared with last year, had reached about 40 percent—that is considerably more than the average for the network. The indicators for use of rolling stock had worsened. There has been quite a lot of loss from neglecting the condition of the rails, even with the limited amount of freight transport.

After all, as far back as three or four years ago, the Volga experienced a shortage of throughput and carrying capacity, and did not have enough locomotives or railcars. Now, when the amount of traffic and shunting work has been sharply reduced, instead of efficient management, elements of wastefulness have appeared. The locomotive fleet, for example, is over-maintained. From this alone, almost 600 million rubles [R] have gone up the flue along with the smoke from the diesel fuel combustion. Two-thirds of this sum were lost due to unproductive use of the locomotives.

In addition, R205 million have been found missing because of failure to safeguard freight transport, R937—to pay fines for its late delivery to the consignees, etc. There is still the tax pressure, as well.... Of the over R51 billion obtained as above-plan profit, only 16 billion—less than a third—is left after paying the taxes. How can we make ends meet?

The Volga Railroad has taken a number of practical measures to clear up the clients' debts for freight transport. In particular, an appeal to arbitration made it possible to reduce the debts somewhat, but they are still R138 billion—this is the total debtor indebtedness of the clients. The road itself owed R94 billion. It is over R31 billion short of working capital, which naturally restrains its ability to purchase everything needed for the normal functioning of the mainline.

The road's economists and financiers are seeking unutilized reserves. Through revising the technological work processes of the enterprises, it has succeeded in releasing about 4,000 workers. The Saratov and Atkarsk locomotive depots have mastered the repair of TR-3 electric locomotives. Some R143 million has been saved by this, and locomotives are no longer being shipped outside the road for repair.

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The Valakovo locomotive depot on the Yershov Division has been shut down, the polygonal net of servicing freight and passenger trains has been lengthened, and with the aid of the ministry, the service sections of Filonovo—Povorino and Sennaya—Gromovo, etc., have been taken from the neighbors—the Southeastern and Kuybyshev railroads.

A problem exists, though, which cannot be solved without the intervention of the Russian government. As far back as October of last year, Volgograd Oblast began to issue promissory notes as a payment medium. Many clients are using them when obtaining railcars from the stations of the Volgograd Division. So far, however, the branches of the Central Bank are ignoring these promissory notes and are not accepting them. No one knows when they will begin to accept them.

Transport-dispatch service has been well presented on the Astrakhan mechanized loading-unloading subdivision, where R171 million of the road's R267 million was earned this year. So far the three other related subdivisions have clearly been in no hurry to do this, and the road is therefore millions short.

It is not making proper use of the experience of other railroads, where a considerable portion of the revenues is made up of receipts from subsidiary-ancillary activity. After all, in our difficult times, we simply cannot "feed ourselves" just "from the wheels."

V. Pryadko, chief of the MPS Financial Main Administration, when speaking at the meeting, justifiably reproached

those who provide railcars without receiving pre-payment, and then have a very hard time getting the money agreed on for transport.

V. Kolyuchkin, chief of the Astrakhan Passenger Railcar Section, mentioned the unutilized reserves, including those found in subsidiary-ancillary activity. The section obtained a profit of over R7 million from its garment shop alone this year. It took a former suburban sovkhoz on the balance sheet for Astrakhan, and created a base for processing milk and meat, and for smoking fish. It intends to sell young pigs, sausage and vegetables, and to earn hundreds of millions of rubles by doing this. The receipt of additional income made it possible for V. Kolyuchkin to put on the railcar section's balance sheet an unfinished electric train depot with a technical station and housing accommodations, to provide them with equipment, to finish the building, and by the end of the year begin depot, and in the future, capital repair of passenger railcars. In this way it can manage to do away with the services of the railcar repair plants, and save many hundreds of millions through this.

The road has cut overtime by over 700,000 hours. The work and leisure conditions for the train crews have been improved. True, overtime is still permitted in the locomotive and passenger services. The task of eliminating this has been set. In summing up the results of the meeting, the Volga Railroad chief emphasized that, under the conditions of the reduction in transport volumes, all expenditures had to be brought into strict correspondence with the earnings. It is time to learn to live according to one's resources.

POLITICAL AFFAIRS

Crimea, Chuvashia Cooperation Agreements

944K2199A Simferopol KRYMSKAYA GAZETA in Russian 23 Aug 94 p 1

[Government of Crimea Press Office statement: "Crimea-Chuvashia: Agreement Signed"]

[Text] The news media have already announced that agreements on trade and economic, scientific and technological, and cultural cooperation and a protocol on reciprocal supplies of goods and an exchange of services between the Chuvash Republic and the Republic of Crimea for 1994 were signed between the Government of the Republic of Crimea and the Cabinet of Ministers of the Chuvash Republic on 1 July.

Ye. Saburov, deputy prime minister of the Government of the Republic of Crimea, and E. Ablyakimov, chairman of the Cabinet of Ministers of the Chuvash Republic, who signed an agreement on the mutual establishment of missions, met once again in the Government of Crimea on 19 August. It was agreed that the missions would support permanent communications with ministries and other municipal authorities locally and support communications with the permanent representatives of other republics to expand and strengthen interstate economic, scientific, cultural, and interethnic relations and promote the development of the foreign economic activity of the parties' ministries, departments, enterprises, and organizations.

Donetsk Journalists Allegedly Harassed

944K2164A Donetsk DONBASS in Russian 19 Aug 94 p 1

[Unattributed article: "Alarm Signal. Journalists in the Line of Fire Again"]

[Text] The Donetsk Oblast organization of the Union of Journalists of Ukraine has repeatedly spoken out in favor of the Konstantinovka journalists who were persecuted for "undesirable" articles: Vyacheslav Nevedorov was fired from the position of editor of the large-circulation newspaper FRUNZENETS; a correspondent of the oblast trade union newspaper POZITSIYA, Igor Kolesnikov, and the editor of the large-circulation newspaper KONSTANTINOVSKIY KHEMIK, Lyubov Zemskova, were brutally beaten; and the city television studio Efir, headed by Vladimir Poslavskiy, was destroyed. In spite of appeals from the oblast journalistic organization to law enforcement organs for an investigation of the aforementioned incidents and punishment of the guilty parties, no effective actions have ensued. The Volga automobile that was assigned to the editorial staff of the oblast newspaper DONECHCHINA and belonged to the multibranch association Donbass of the city of Konstantinovka (general director, A.N. Zhuliy), in which special DONECHCHINA correspondents had been working for three days, was fired upon and the journalists—the editor of the information department, Aleksey Budko, the representative of Zhurford of Ukraine for Donetsk Oblast, and a staff correspondent of the newspaper DONECHCHINA, Margarita Kulakova, who published articles in the newspaper DONECHCHINA for 10 August of this year, "Dirty

Game" and the article by Vladimir Poslavskiy "Lies and Truth About Efir" on 4 August of this year—by some miracle avoided being massacred. On the evening of 13 August 1994 the vehicle in which the journalists were to have ridden was pierced by four bullets. A couple of days before this, the interurban telephone line was used to call M. Kulakova's home telephone, and she was threatened with all kinds of torture.

The leaders of the local soviets and law enforcement organs of the city of Konstantinovka did not go to the scene of the incident that evening, but the next morning an operations group of the oblast internal affairs administration arrived there before workers of the Konstantinovka city internal affairs department did.

Perhaps there is nothing surprising here: The night before, the chairman of the city soviet of people's deputies, V.I. Orchelota and the press secretary, Sergey Marintsev, not only did not wish to meet with DONECHCHINA correspondents, but showed them out of the office with open hostility. The leader of the highest power in the city either does not know or is ignoring the law of Ukraine "On Printed Mass Media (the Press) in Ukraine," which gives the journalist the right to free acquisition, use, dissemination (publication), and storage of information and to visit state organs of local and regional self-government and also enterprises, institutions, and organizations, and to be received by officials and openly take notes, including with the use of any technical equipment.

The secretariat of the Donetsk Oblast organization of the Union of Journalists of Ukraine is again vigorously protesting the arbitrary behavior allowed with regard to journalists who were honorably performing their professional duty. We hope that the oblast soviet of people's deputies and the oblast and city law enforcement organs will protect journalists from persecution and will create conditions for their safe work and fulfill the requirement of Article 43 of the Law on the Press: "The honor, dignity, and immunity of the journalist is protected by law."

ECONOMIC AFFAIRS

World Prices for Gas, Transit Advocated

944K1954A Kiev MOLOD UKRAYINY in Ukrainian 21 Jul 94 p 1

[Interview with Bohdan Babiy, chief engineer of the transit control administration of the Ukhazprom Joint-Stock Company, by Volodymyr Oliynyk; place and date not given: "Billionnaires With the Status of Paupers, or A Conversation About Why the Ukhazprom Joint-Stock Company, While Subsidizing the Ukrainian Economy, Cannot Make Ends Meet and Uses its Own Profits To Pay for Ukraine's Inept Gas Consumers"]

[Text] A paradoxical situation has developed in our country. Despite owning a unique gas transporting system that is the envy of any technologically developed country, the state earns no profits from it. What is the reason for this? Why is there insufficient investment to support this veritable dollar lode? You will find the answers to these and other questions

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in our correspondent's interview with Bohdan Babiy, chief engineer of the transit control administration of the Ukhazprom Joint-Stock Company.

[Oliynyk] In what state is Ukraine's gas transporting industry?

[Babiy] This is a unique technological system. Ukraine is one of the few countries in the world with such a powerful system for transporting and storing gas. Not only does this system successfully supply fuel to all the corners of our country, but it is also able to transport more than 100 billion cubic meters of gas annually to the West. This system could be a source of huge hard currency profits not only for the Ukhazprom Joint-Stock Company but also for the state.

[Oliynyk] Where is the hitch then?

[Babiy] No matter how paradoxical this may seem, for this to happen, everything has to be put in order, that is, right side up. Gas should cost as much as it costs on the international market. Ukraine should buy it from her suppliers (mainly Russia and Turkmenistan) at world prices and not at reduced prices as she does now. At first glance, reduced prices seem like a good deal. But, because we also charge a reduced rate for the transit of Russian gas and services, we lose more in the end. In other words, Ukraine does not earn as much as the system should be bringing in. As a result, everybody loses—the gas consumers, the Ukhazprom Joint-Stock Company, and, above all, the state. In the first place, all the money is scattered, because we do not know if all those hundreds of enterprises that use cheap gas produce competitive products or any products at all. Second, no one in Ukraine pays for the gas received from Russia—I have in mind those same state enterprises. There are many reasons, but the result is that the Ukhazprom Joint-Stock Company has not been investing in the development of our unique gas transporting system for three years in a row. The company is lucky if it has enough money to pay its suppliers. Meanwhile, as we know, the system needs repairs, parts, and assemblies, many of which are not made in Ukraine and which have to be paid for in hard currency. Small wonder that many component systems are literally falling apart. In addition to everything else, this also creates ecological dangers.

[Oliynyk] How much money needs to be invested per year to make Ukraine's gas transporting system function normally and safely, let alone to modernize it?

[Babiy] Today's prices are exorbitant, but if we were to base our calculations on the prices in effect in 1990, when the situation was more or less stable, we would need to invest at least \$150 million annually into this system. We could obtain this money if we charged the going rate for the transit of Russian gas. If we bought Russian gas at world prices, we would earn over \$2 billion per year.

[Oliynyk] What does Ukraine currently earn in transit charges?

[Babiy] The customary rate for 1,000 cubic meters of gas per 100 kilometers ranges between \$1.5 and \$5. At present, because we buy gas from Russia at somewhat less than the

world price, we charge a transit rate of \$0.66 per 1,000 cubic meters of gas. The result is that, by not earning the proper amount for transit in connection with paying a lower price for gas, the Ukhazprom Joint-Stock Company in effect subsidizes loss-making and unprofitable state enterprises. This produces nothing but losses. In the first place, the state earns no profit. Second, using cheap gas, enterprises give no thought to retooling and producing competitive production. Third, the Ukhazprom Joint-Stock Company is also on the brink of bankruptcy and, moreover, has no money to develop Ukraine's unique gas transporting system. What is more, the money due Ukraine for transit charges is not being paid by Russia because Russia retains it as partial payment for the amount we owe for the gas we consume.

[Oliynyk] It would be interesting to know how much domestic gas consumers owe the Ukhazprom Joint-Stock Company?

[Babiy] More than 10 trillion karbovantsi, while Ukraine owes Russia more than \$1 billion for the gas we have received.

[Oliynyk] Do you see a way out of this vicious circle?

[Babiy] At first glance, the circle appears closed. In reality, however, the solution lies in a classic plan. The Ukhazprom Joint-Stock Company should operate as an independent firm, which buys gas at the real price and charges the real rate for the transit of gas to Europe and for all services. The relationship with the government and state should be established along the following lines: All that the Ukhazprom Joint-Stock Company needs to do is pay the state taxes in accordance with acting legislation, and the government will not have to rack its brains to find a way to pay off debts, because there will be no debts.

Only those who can afford it will be supplied with gas in Ukraine, which will mean that the Ukhazprom Joint-Stock Company will also have no debts.

Believe me, it is a crime to let a gas transporting system such as the one we inherited after the collapse of the empire run down. Ukraine has a very advantageous geographic location. The East has huge reserves of gas in Russia and the Near East—Iraq, Turkmenistan. The West has the consumers of this gas. Ukraine lies in the strategic center between the gas producers and gas consumers. We have a powerful gas transporting system, which can carry more than 110 billion cubic meters of gas per year. There is a tendency to increase capacity if funds are invested in the system. As a matter of fact, Russia has already requested to increase the volume of gas to be transported in 1995. Transporting gas is a real gold mine for us, but we are doing everything we can to lose it.

[Oliynyk] One cannot help but conclude that by selling Ukrainian consumers gas at below world-level prices, we lose by charging a meager rate for the transport of Russian gas to Europe, and, in addition, do a disservice to enterprises, which squander this gas and not only fail to pay for it because they know that the state will supply it in any event, but also do not change their production structure to conserve energy.

[Babiy] Exactly. The enterprises are slack and are doing nothing to prepare work in a harsh regime of energy conservation and to reduce production costs by lowering the power-output ratio of their products. As a result, even though Ukraine is in possession of a trump like our powerful gas transporting system, she has become a debtor, not to mention the billions she loses by not earning hard currency for transit fees.

Report on Solvency of Ukrainian Banks

944K2166A Donetsk DONBASS in Russian 19 Aug 94 p 1

[An UKRINFORM report: "Ukrainian Banks—Can One Do Business With Them?"]

[Text] The analysis conducted by the Association of Ukrainian Banks on the basis of the balance sheet data of 82 Ukrainian banks shows that the banks' expenses continue to grow faster than income, and the pace of tax increases exceeds that of profits.

Only two Ukrainian banks in almost 300 currently operating in the country are on the list of the 100 largest banks in the CIS.

One of the main indicators of a Ukrainian bank's development is its charter capital. The National Bank of Ukraine sets strict requirements for the size of banks' charter capital: The newly created banks must have a capital of at least 3 million ECU, and those already in operation must bring their charter capital to that level by 1995.

Currently, eight Ukrainian banks have 3 million ECU of own their capital and about 22 have a real chance to reach this level by the end of the year. Another 20 banks will be

able to bring their capital to 3 million ECU at the cost of very serious effort. For other banks—mainly those outside Kiev—this barrier appears to be unsurmountable.

Given the real 70-percent tax on profit, Ukrainian banks' shareholders cannot hope for high dividends. The shareholders do not have much choice but hope for future dividends, currently settling for an increase in the bank's own capital. At the same time, some banks show high profits, which as a rule is the result of a considerable share of cheap credit resources.

By the amount of money in personal deposit accounts, some of the largest newly created banks have come close to former state banks. Six of the newly created banks have attracted more than 100 billion karbovantsy each in the population's money. In the current environment, however, equipping a large number of work stations to work with the population's money is not a profitable business. In addition, some actions on the part of the National Bank of Ukraine (setting a reserve requirement equal to a certain percentage of deposits, directing 10 percent of the attracted deposits into agricultural loans, setting a limit on interest on loans issued) have made it more difficult to work with depositors.

The indicators that characterize the profitability of banking activities declined considerably as compared to the same indicators in 1993. This was caused first and foremost by higher taxes.

These indicators are better among the banks that do not have branches, which requires a considerable capital investment, as well as the banks where profits grow at an anticipatory rate as compared to the growth of capital.

BELARUS

20 August Currency Revaluation Previewed

944F1329A Moscow *SEGODNYAN* in Russian
17 Aug 94 p 5

[Report by Valentin Zhdanko: "Belarus Is Preparing For the 'Zayats' Revaluation"]

[Text] After 20 August, the nominal value of banknotes will be reduced to one-tenth as much. Until now, foreigners have been amazed that the cash value of Belarusian "zaychiks" [rabbits] does not agree with the nominal value indicated on the banknotes. As an example, in handing a salesperson a banknote which bears the figure "100," you should mentally add one more zero, since you are supposed to pay 1,000 rubles for the commodity.

This story has dragged on since 1992, when the "zaychik" was the same value as the Soviet ruble, and all prices were indicated in Soviet rubles. In 1992, after Russia cut off the former Soviet republics from the ruble zone, the situation

turned into a ridiculous game. Nominal prices were indicated in a nonexistent currency. However, the citizens of Belarus became accustomed to this by disregarding the figures on the banknotes and determining their value only by the different colors of the little animals depicted. Moreover, everyone was waiting until the Russian rubles started pouring into the republic and the "zaychik" would "depart this life."

However, the illusions concerning the ruble zone apparently were dispelled once and for all, and on 15 August the Cabinet of Ministers, jointly with the National Bank, approved the decision to devalue the Belarusian ruble to one-tenth as much. Inasmuch as all those same banknotes will remain in circulation, there will be considerable confusion. Residents of Belarus will have to become accustomed to determining the value of the "zaychiks" by the actual figures on the banknotes all over again. One "zaychik" will be equal to 1 ruble, not 10 rubles, as it was before 20 August.

KAZAKHSTAN

Akmola Mayor on Transfer of Capital

944K2115A *Almaty PANORAMA in Russian*
No 32, Aug 94 p 11

[Interview with Amanzhol Bulekpayev, mayor of Akmola, by journalist Nataliya Buravtseva; place and date not given: "Interview"]

[Text] The transfer of the capital should be seen as part of the program of the socioeconomic development of the central and northern oblasts of Kazakhstan.

The personality of the mayor of Akmola is very interesting. He came to lead the municipal economy at the time of perestroika, on 1 May 1987. In terms of his style of work, he is more a factory-floor worker than a bureaucrat. He prefers a direct, specific, heated (up to and including bad language, as it happens) conversation to the well-known tactics of bureaucratic games. His sympathizers called him "one of ours," representatives of the old nomenklatura see him as an alien. He has behind him 13 years of education—school, technical school, and the engineering faculty of an agricultural institute—and work in motor pools, from driver through manager of a trust. His sole credo in assessing people is not "who" but "what kind." He is a workaholic by nature. He is constant in his friendly attachments. He has played on the same volleyball team for 15 years.

[Buravtseva] Amanzhol Kuanyshevich, the most contradictory opinions are being expressed in the arguments surrounding the decision to transfer the capital to Akmola. Many people are inclined to consider this a political mistake on the part of the president. What do you think on this score?

[Bulekpayev] Any major historical step will inevitably have both supporters and opponents. It is perfectly understandable that this is happening at this time also. That this is a decision of major historical proportions with far-reaching prospects, I have no doubt. I would like to live to see the moment when time itself has proven its expediency.

But it is perfectly understandable that it is very hard for me to remain dispassionate when talking about this. The news of the transfer of the capital to our city gratified me greatly, of course. After all, this means such a powerful boost to its growth, prosperity, development! It means the solution of many deadlocked questions, including the employment of the townspeople that have in a difficult period been left without work. There are today approximately 7,000 of them. For a city of 300,000 inhabitants, this is a very high number. Skilled workers, engineers, and economists are without jobs, and the potential of many young specialists and the labor of a large number of women of the most diverse professions is going begging.

Further, there will be a real opportunity to load to full capacity the enterprises of the construction industry, which are currently operating at half strength. Formerly, we would hand over 200,000-250,000 square meters of accommodations annually. Now, on account of the lack of funds, barely 100,000. Many projects have been frozen,

whereas large areas both in the center and in the suburban zone remain undeveloped. For we have an immense construction complex uniting 56 contract construction organizations. Our enterprises are capable of coping with the contemplated amounts of construction without bringing in anyone from outside. It is merely a question of the funds. And, if the enterprises are operating, people will be receiving wages, and municipal coffers will be replenished also.

[Buravtseva] All this is from the mayor's viewpoint. A partial viewpoint....

[Bulekpayev] Of course. I have to think first about the interests of the city and the townspeople. But there are also other serious arguments in support of the transfer of the capital. They have been adduced by the president, and there is surely no need to repeat them. We will have difficulties, of course, financial included, but the transfer of the capital should be regarded as part of an entirely particular program of the continued socioeconomic development of the enormous central and northern regions of the republic. This step will undoubtedly strengthen the integrity of Kazakhstan. And all this talk and gossip and the dubious arguments of our opponents is much ado about nothing. The sooner specific steps are taken to transfer the republic authorities to the new location, the sooner it will end. After all, it is not the first time that this has been discussed. This is an urgent necessity, one that has long been due, what is more.

[Buravtseva] But how much money will this take.... And time? This is the main argument of the opposite side.

[Bulekpayev] It will be costly, I agree. But this is, you know, like the birth of a child: who has not been assailed by doubts.... But a child appears when its birth is due. And all is settled. And, then, the transfer of the capital is not a matter of a single day or a decade even. No one intends building a second Almaty beauty in a short space of time. It was built over decades and has exhausted the possibilities for further growth by virtue of its geographical location. Akmola has in this sense unlimited prospects and even now has everything necessary for the normal work of the leadership of the republic and the ministries in the initial period.

[Buravtseva] Aside from a resort climate. This argument is being adduced also.

[Bulekpayev] The government is coming to Akmola not to vacation but to work. And our climate is perfectly suitable for this. Social and political also, incidentally. The city is also favored environmentally. With what else has our Akmola been charged? The marshy nature of the terrain on which the city is situated? All this has been taken into consideration in the master plan of development. Remember the kind of areas on which St. Petersburg was built....

As far as the name of the city itself is concerned, it means not "white grave" but "white abundance." Here, on the banks of the Ishim, was the mustering point for caravans and a trading center on the Great Silk Road, and the

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Kyrgyz would come to sell rich dairy products, for which the region was famous. Whence the name of the city.

[Buravtseva] And what about such a gloomy forecast as that the transfer of the capital will cause the inevitable eviction of the "nonindigenous" citizens of the republic? How, generally, is the Russian-speaking population of Akmola reacting to this?

[Bulekpayev] If such eviction has not over many years occurred in Almaty, why should it happen with us? About the mood of the townspeople, I can say one thing: They are awaiting the transfer of the capital and linking their personal plans and hopes to this. After all, many people understand that new prospects for education and for work will be revealed. I know of instances of people of a mind to leave Kazakhstan having, on learning of the Supreme Council's decision, changed their plans. There are concerns also: The prices of apartments and dachas have risen steeply. Local entrepreneurs are afraid of competition on the part of powerful Almaty firms that are even now opening their branches in the city and purchasing stores. So there are both pluses and minuses in the mood. But there is no hasty packing of bags. Nor is such anticipated.

[Buravtseva] You have said in your recent speeches that Akmola is ready to receive and accommodate the government and the ministries. On what is this confidence based? Are such statements not unduly optimistic?

[Bulekpayev] These statements are based on a knowledge of the city's actual possibilities. At the first stage, until special buildings have been built, and this will take three or four years, the leadership of the republic will be accommodated in the premises available in the city. For this, our institutions will have to squeeze up, of course. But we will find room. Especially since a considerable reduction in the size of the administrative machinery is contemplated. Vice President Yerik Asanbayev visited Akmola with representatives of the sectoral ministries and inspected the city and the buildings proposed for accommodation of the republic's directive authorities and remained perfectly satisfied.

I would remind you that an exclusive feature of Akmola is the fact that it was built as the capital of the virgin-land region also. In accordance with a master plan specially drawn up for this. The city will continue its development in accordance with this also. This has conditioned the architectural and engineering decisions for the long term and the development of the system of municipal utilities.

Problems will arise, I will not argue this. It will be necessary to speed up (and with the investment of funds this is perfectly possible) the construction of a third heat and electric power plant, the diversion of Irtysh water into the upper reaches of the Ishim via the Irtysh-Karaganda Canal, and the construction of accommodations.

This will have to be done in any event, whether Akmola is the capital or not. There is much work to be done. But this is far more interesting than patching up holes in a sickly budget. There are many interesting ideas and plans, and there is hope that they will be realized.

[Buravtseva] As the mayor of the capital?

[Bulekpayev] As the head of the Akmola City Administration.

Nazarbayev Representative Explains Job

944K2062A Almaty EKSPRESS-K in Russian
9 Aug 94 p 3

[Interview with Konstantin Kolpakov, President Nazarbayev's personal representative in the parliament, by Aygul Omarova; place and date not given: "I Have Never Felt Embarrassed for the President"]

[Text] The institution of personal representatives is a completely new notion for our post-totalitarian society used to administrative methods of leadership. This explains the voters' curiosity about the people who represent the head of state in the new-term Supreme Council. A professional parliament requires new relations between the legislative and executive branches of power. This is the topic of our conversation with Konstantin Kolpakov, President Nazarbayev's personal representative in the parliament.

[Omarova] Konstantin Anatolyevich, first of all, please explain the institution of personal representatives of the president.

[Kolpakov] The establishment of this institution in the parliament is not associated with any specific historical events. A year and a half ago the country's vice president, Ye.M. Asanbayev, and your humble servant, who was at the time an aide to the latter, wrote a memo to the president. In it we described in detail that an analysis of the deputies' work, some mistakes made by the president's staff, and some draft laws not passed by the Supreme Council had led us to a conclusion that there is a need for a permanent representative of the head of state in parliament, who could exert substantial influence on the relationship between the representative and executive branches.

[Omarova] No initiative goes unpunished, right?

[Kolpakov] You know, when we were writing this memorandum, we also recommended a person for this job. Why was I chosen? I do not know what considerations guided the president in choosing me. I only know that I was highly recommended by Yerik Magzumovich Asanbayev, for which I am eternally grateful to him. Frankly, by then I had had many personal contacts with Nursultan Abishevich, so I had had the opportunity to demonstrate my capabilities. We worked together in the constitutional commission; I traveled with the president a lot when the CIS was being created and saw all the tribulations associated with it... In addition, I worked on many different documents, including laws. Generally, it so happened that over the previous four years I had worked with big bosses and apparently attracted their attention somehow...

[Omarova] But there are two of you in the parliament—personal representatives of the president?

[Kolpakov] Yes, the other one is former deputy Murat Kumarovich Rayev, a man I have great respect for, a highly qualified jurist. The president has not divided responsibilities between us; we are equals and try to work

together. First, there is nothing to squabble over; and second, this is more productive. We only divided the committees—each does the analysis of a certain unit in the parliament.

[Omarova] How did relations between the head of state and the Supreme Council change after this institution was introduced?

[Kolpakov] They became more calculated, thought-through. We produce recommendations—including such things as when the president has to show up in parliament and when there is no need for this. In the past Nursultan Abishevich, being a democratically minded person, tried to attend almost every meeting; this took a lot of his time and energy. Now there is no such need.

[Omarova] Konstantin Anatolyevich, if you will forgive me—I think that the president should attend parliament meetings when the national budget is discussed there. If we follow the constitution, the head of state should also be responsible for the financial state of the economy.

[Kolpakov] I could argue with you on the expediency of the head of the state's presence at a parliamentary meeting on the budget, since the responsibility for putting it together and executing it rests with the government. It is no secret to anyone today that the president is distancing himself from the Cabinet of Ministers, although, to be honest, he should have been present; still, I would not want to live with the president's work schedule, so let us not get sticky about this point.

[Omarova] Have you ever felt embarrassed for the president?

[Kolpakov] So far—no, although I do not perceive as positive everything the president does in the parliament.

[Omarova] Do you tell him about it?

[Kolpakov] Of course. And not only tell him, but also write it. I write and tell him about everything in a deliberately respectful form, because I believe that the head of the state must be accorded due respect in any situation. Quite naturally, there are things I accept and things I do not accept. And I speak quite frankly about many things. In any case, I do not hide from him, and do not intend to hide, the miscalculations that take place. There are always people in the entourage of any statesman, and especially someone of such magnitude as President Nazarbayev, who only say good things. And there necessarily has to be someone close to him playing devil's advocate, that is, saying things one does not like to hear.

[Omarova] Do you consider yourself such a devil's advocate?

[Kolpakov] God forbid! Why take so much upon myself? We do have people who fulfill such a mission. As to the parliament, however, here I can take this responsibility upon myself.

[Omarova] As the president's personal representative and someone who speaks on his behalf, you undoubtedly also share to a certain extent responsibility for the edicts of the head of state that are being submitted for Supreme Council

approval. As you know, a number of the latest edicts produced a negative reaction among parliament members. Many deputies, for instance, considered the edicts relieving T.K. Aytmukhambetov from the job of Supreme Court chairman and appointing M.F. Malakhov to this job as illegal, unconstitutional; the same goes for the creation of the republic Kazakhstan Radio and Television Corporation. What can you say in this respect?

[Kolpakov] Let us leave aside the edict on the creation of the Kazakhstan Radio and Television Corporation, because I personally do not have a clear picture regarding the endless squabbling between Mrs. Beketova and the nonstate electronic mass media.

As to the edict on Malakhov's appointment, I did not see any problems with this from the very beginning. This goes for Mikhail Fedorovich personally, whom I know as a highly skilled professional, a judiciary specialist. He is an energetic man, with initiative. He was first deputy minister of justice when I was party secretary of the Kazakh State University's law school. And he was the first jurist to come to graduating exams to pick out cadres for his office. In short, this is a man who is thinking ahead—who he will be working with tomorrow. Speaking of the legal aspect of the edict, the president acted in complete compliance with the law on delegated powers, which is absolutely correct. Most likely, deputies' emotions were roused not by Malakhov's appointment but by Aytmukhambetov's dismissal.

[Omarova] Apparently, not even the fact of the dismissal itself but the way it was done.

[Kolpakov] This is a separate issue. I am willing to take the responsibility of stating that from the standpoint of law, the edicts are irreproachable. I am willing to prove this in any organ.

[Omarova] All right, then let us talk about the changes in the constitution, which the national president intends to submit for the parliament's consideration. In the course of the first session of the professional parliament quite a few questions arose about the constitution. You were at the time one of the authors of the draft basic law. In 1992, when the constitution was discussed and adopted, there were many alternative drafts, which nevertheless were not taken into account. Today life is bringing to the forefront the provisions that were not taken into account in the final text of the constitution. For instance, on the local self-rule system, and so on. How soon can we expect from the president a package of proposals on changes, and what will be their substance?

[Kolpakov] You know, I think we have two ills in this society. The first is that we rarely look for the author who did the ground work on the document. The higher the level of the official to whom the document goes for approval, the lower the probability that the person who started the preparation of this document will be called and asked: Why did you suggest this provision? This is why many draft laws here enter some office in one form and leave it looking completely different. For instance, if you compare a draft law that is submitted for the Supreme Council's

consideration and approval with its final adopted version, you will see two quite different things.

The second point. In our environment, the group of initial authors is always removed from collective discussion. I, for instance, will never deny my authorship in both the constitution and the elections code, which everybody now berates for all it is worth. I consider myself lucky. My only award in my 30 years of life is the president's commendation for participating in the work on the constitution, and I am proud of it. I know its shortcomings more than anyone else, with the exception of the "valorous 10" who worked on the fundamental law. And I can tell you with certainty where these shortcomings come from. The fault for not incorporating the proposals, which everybody is talking about now, rests solely with the Supreme Council of the previous convocation. I am saying this openly because reform of the constitution currently under discussion brings us back to those days when it was adopted.

Two years ago the draft constitution contained a provision on impeachment. Two years ago it was proposed to introduce the institution of private land ownership. Two years ago we talked about combining general and arbitration courts and revising the role of the procuracy in the constitution. Two years ago we discussed who should have the right to interpret the fundamental law. Two years ago we argued about the ratio of paid-for and free education... The president supported us on practically all these issues, but the Supreme Council led by Mr. Abdildin and the chairmen of a number of commissions opposed.

The package the president will submit to the parliament's consideration brings back these proposals. New articles also are being added, related to human rights. Because we do not have, for instance, an article on privacy of telegraph, telephone, and other communications. The draft is generally ready, but we believe that it is too early to present it.

[Omarova] Konstantin Anatolyevich, let us go back to the question of a two-chamber parliament. There is an opinion that switching to it will be illegal, since the electorate voted for a one-chamber Supreme Council.

[Kolpakov] Nothing of the kind. The voters elected not the parliament but deputies to the supreme legislative organ, that is, each of us voted for a certain person, and that is all.

[Omarova] But in the West voters elect deputies to one or the other chamber of the parliament...

[Kolpakov] Absolutely correct. But in the West they never had to implement reforms as they go. Had the Supreme Council in the end of 1992 listened to the [constitution] authors' opinion, the current parliament already would have been elected on a two-chamber basis. And the elections code would have been written taking different chambers into account. The conservative part of the old parliament, however, did not let us get through the provisions in the draft constitution which we have to propose again today, because life itself dictates it. I am deeply convinced that this reform is needed. And we do not have to wait for the next elections in order to implement it. We should not cater to some people's desire to sit it out until the end of

the term. The reform is needed in order to write better quality laws. Our life depends on laws, and it is time to realize this.

[Omarova] You mentioned that the president is distancing himself from the government, although he is the head of the executive branch. What are we to make of this?

[Kolpakov] In those countries whose models we try to emulate in our development, it is considered normal that the head of state is the supreme arbiter who is above all the branches of authority. We had the rudiments of this model two years ago, but only now has the necessity to distance the president from the government become clear. The distancing manifests itself in many respects. For instance, the two apparats were separated, and we all know the power of the apparat. Structural changes are taking place in the organs of state administration. This distancing is also manifesting itself in the way the president has been appraising the work of the Cabinet of Ministers lately. And most importantly, this distancing manifests itself in those ideas of ours that are associated with the role of the government in the constitution, which has now for all practical purposes been approved by the president and which will be concrete, will be made into concrete legal norms.

[Omarova] Which legal norms in particular?

[Kolpakov] In particular, the possibility of expressing no confidence in the government. The parliament must have the ability to hear the reports of not only individual members of the Cabinet of Ministers but of the government as a whole. The Supreme Council's expression of no confidence in the Cabinet of Ministers automatically entails the resignation of the latter. The distancing of the head of state from the government also will manifest itself in the position of the prime minister being considerably strengthened; he will get greater freedom of operational management of the cabinet. The parliament and the government will be able to appeal to the president to an equal extent in the event a conflict arises between them.

[Omarova] Konstantin Anatolyevich, now, after three months of work, what do you think of the new parliament?

[Kolpakov] It is hard to appraise a parliament that has worked for only three months and practically has not yet begun to carry out its mandate. We can see for ourselves that the Supreme Council so far has not adopted major laws reforming the social system. I deliberately skip the question as to why. Apparently, it is for objective reasons, because the parliament is new. Let us meet in January, when enough time will have passed for law-making, and then I will be able to give you an opinion.

[Omarova] But you do believe that the time has come for a professional parliament?

[Kolpakov] Without question. A good friend of mine used to say that it is immoral to devote your efforts to something nobody needs. Paraphrasing him somewhat, I can say that it is better to do nothing than handle noble tasks poorly. It is easier not to have any laws than to adopt laws nobody complies with. A lot depends on the laws. We are

a young state, which has enormous gaps in the legal system. We can liquidate them only by creating a legislative base, and therefore we need a professional parliament. And it is not at all necessary for all 177 deputies to be knowledgeable in jurisprudence. The meaning of professionalism is that the deputies understand very well the role and significance of the law in society and can either put it together competently, or likewise consider it.

[Omarova] Can the people who constitute today's parliament bring about the legal base you mentioned?

[Kolpakov] The overwhelming majority of them—yes. The level of the current parliament members is higher than that of the previous one. [end Kolpakov]

From EXPRESS-K files. In the fall of this year Konstantin Kolpakov will be 31. He graduated from the Kazakh State University law school. At the age of 24 he defended a candidate thesis on the subject "Oversight Activities of Representative Organs of Power" (by the way, this is precisely what his current job entails). Married; his wife is a psychologist; he has a six-year-old daughter. Since 1989 he has been working in the highest echelons of state power. Was an aide to Vice President Ye.M. Asanbayev.

He considers his mentor in life Professor V.A. Kim, doctor of juridical sciences, to whom he owes his choice specialization in jurisprudence. He does not intend to move from Kazakhstan, since he "likes everything in this country." Kostya was three months old when he was brought from Nizhniy Tagil, where he was born, to Almaty. He considers Kazakhstan his motherland, and people do not change their motherland—this is his deep conviction.

What else? Oh yes, my interlocutor—a typical representative of the "new wave" of politicians (who began in the Komsomol [All-Union Leninist Communist Youth League] and are successfully continuing their careers)—is dreaming of some day writing a book about "our great and frightening time." As we can see, there is a romantic streak in people whom many perceive as mere pragmatists.

Communist Activity in Kzyl-Orda Noted

944K2072A Almaty KAZAKHSTANSKAYA PRAVDA
in Russian 10 Aug 94 p 2

[Vladimir Li report: "Communists Promise Protection"]

[Text] The activity of the communists in Kzyl-Orda is outwardly unremarkable. Had it not been for a brief report in the local press, few would have known that there was such a party today. District committees currently engaged in the creation of primary organizations are operating in seven of the eight districts. There are already 15 primary organizations at the enterprises of the oblast, in which 600 party members are registered.

The oblast committee of the Communist Party has been operating in Kzyl-Orda since 25 April. In their speeches the neocommunists promise social protection and abuse the old leaders of the CPSU that discredited the party and the idea of communism in the eyes of the people, but they are as yet abiding by the old tried-and-tested format. They

are preparing currently for district and then oblast party conferences. Then a republic congress will be convened.

Privatization Effects in North Surveyed

944K2072B Almaty KAZAKHSTANSKAYA PRAVDA
in Russian 10 Aug 94 p 2

[Article by Valeriy Mertsalov: "I Would Be a Proprietor, But I Would Be Harassed by Taxes and the Turmoil in the Service Organizations"]

[Text] There are few who object to privatization. But the private attitude toward it of many North Kazakhstanis is either uncertain or cool. Begin to question passersby what stage of it we are going through at this time, and you will be doing well if one out of 10 guesses right. But problems of denationalization come down to us every day.

Accommodations have been transferred to the ownership of the citizens at a pace close to rapid. This should come as no great surprise, for that matter. Whereas few people had a clear understanding of the concerns of future apartment owners, even less about their rights, everyone was well-informed as to the ultimate possibility of the use of the coupons left over from their accommodations. And about the fact that those that had not redeemed their accommodations would conclude with the state a rental agreement whose terms were predicted to be patently disadvantageous.

While having become owners of their quadrature, the North Kazakhstanis have also encountered a mass of problems. To begin with the fact that the stock of housing has long been in a very deplorable condition. It is a rare multistory house in which the water pipes have not been patched up. A multitude of the balconies in Petropavlovsk have been deemed to be in need of emergency repair, and the tenants have been forbidden to go out onto them. Where are the funds for repairs to come from? It would hardly be possible to amass them all at once with the present prices and low wages, and many people are without the latter altogether. During the discussion of the future social arrangement, both the citizens and some of the deputies expressed demands initially that housing be put in order and then that it be deeded to people. But there are no funds for this in the local budgets, and the executive authorities are not consenting to accept this point even as a commitment for the future inasmuch as it will, most likely, prove impracticable subsequently also.

But even these matters recede into the background in the face of the lack of rights of the apartment owners that has been revealed in relations with the service organizations. A desire of the Housing-Management Division, Housing-Municipal Service Administration, and the Housing-Municipal Service Office to put the main emphasis when concluding contracts on a clause requiring the tenants to regularly pay a service charge, but themselves to assume practically no specific commitments, was determined clearly from their very first steps. If we consider, however, the complaint of the tenants of communal apartments that the Petropavlovsk people have to pay separately for each individual call, it transpires that the apartment charge established by the city council has been collected for the mere fact of the service organizations' existence. The

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problem of the actual possibilities of the executive confronts us squarely here, incidentally. The deputy commissions carefully checked the justification of the assessments of this service or the other. The session adopted the corresponding decision in this connection. The city administration promised to prevent unduly high prices and to put an emphatic stop to attempts at any deviations. This did not happen. No one, apparently, intends paying any heed to the decrees of the session, and there is no mechanism of putting pressure on such leaders. Sometimes they are not subject to the municipal authorities, sometimes they have been able to arrange more favorable conditions for themselves "privately." Then the deputies begin to sound the alarm, a tumultuous investigation follows, and the ordinary citizen's head, meanwhile, is spinning from the contradictoriness of the demands that have come crashing down on him. He concludes that in transferring the apartment to him the state was least concerned with making him a proprietor and was simply in a hurry to divest itself of responsibility for the upkeep of the housing.

The ordinary citizen has gained just as little from mass privatization also, and the endeavor of the state only to receive while giving nothing in exchange has been reflected here too. It is well known that in civilized countries the members of auction commissions have a personal interest in the preparation of properties for auction: A certain percentage of the earnings is earmarked for them. With us, however, it is considered for some reason or other that entirely disinterested persons dying to work for nothing were suitable for the commissions. Although the effectiveness of their work is eloquently indicated by the fact that, despite a residual value of the properties of just over 4.5 million tenge, more than 44 million tenge were obtained for them at auction. We could, probably, in accordance with the old habit, accept the postulate concerning the priority of public over private interests, but neither the city nor the oblast either gained anything from so profitable a sale of the former state property—all the money went to the republic coffers. Meanwhile, for example, the road workers needed in spring half a million not only to greet the spring flood in normal fashion but also to ensure rhythmic work for several months ahead. At the same time, on the other hand, one store, valued at 5,000 tenge, was sold at auction for 860,000. Thus if only some of the resources obtained from the denationalization had remained at the disposal of the local authorities, after each auction there would have been an opportunity to resolve some problems. Meanwhile, however, they are snowballing.

The idea concerning the creation from the sums obtained of a kind of fund for the support of small business creating new jobs has long been expressed. But the matter has simply not progressed beyond the wishing stage. If this situation persists, the republic coffers also will in the very near future be deprived of proceeds from auctions. Only

stores and gas stations enjoy any demand, other properties, on the other hand, particularly those connected with production, are finding no purchasers. It is sufficient to say that the day these lines were being written the deadline for registration for the right to take part in an auction at which it was contemplated selling a number of bathhouses, laundries, and district consumer service outlets—22 lots altogether—expired. And not a single application had been received.

The policy of denationalization needs adjustment once again. Whereas at the first stage of privatization preference was given to the work force, and enterprising private businessmen remained aloof, there is now a distortion of the diametrically opposite kind. Why should there not be opportunities simultaneously for both? Many outfits wish to redeem their enterprises, but they are scared off by the initial price and the need to engage in bargaining, nor are there any competitors, and you cannot take part in auctions without them. In the opinion of specialists of the State Property Committee, it would be expedient to introduce preferred terms for the work force for obviously "unsalable" properties and to obtain from the sale if only the residual value rather than nothing at all and ruin the manufacturing and consumer-service sphere conclusively.

After all, even today the stores that have had a change of owner differ little from the state-run stores. The shelves contain mainly that same collection of imported pastries, chewing gum, cigarettes, Snickers bars.... Neither seasonal goods nor foods high in calorific content or rich in vitamins. Yes, the private operator is more nimble, but the tax burden has made unprofitable even trade, private trade particularly, and the difficulties in converting the tenge are contributing to increased prices that are frightening away the customers. So we have to content ourselves with what the shuttle travelers bring in from the near and far abroad. And in this situation one has involuntarily to rely on opportunist interests of the moment, without regard to the future. Nor do the stores at the auctions necessarily go to the most capable. If you wish to bring in freight, you need for a start, at a minimum, to prove your ability to drive a car. The same as in any other profession, but a store may be purchased by anyone that has the capital. But it has transpired that an "ability to make money" and to engage in real commerce are far from identical concepts. And what does the customer care about this? He sees just one thing: In the search for some trifle that you once just about had to force people to buy, in bulk, you now have to go around half the town and return home empty-handed.

It is unprofitable, you are told, to handle your little bitty trifle.

The North Kazakhstani is cool toward privatization because he has not derived any real benefits from it. He lived pretty indifferently yesterday, today things have become harder.... It is hard to believe in the promised blessings of tomorrow, especially since no hints of these blessings are in sight.

Law Professor on Civil Code

944K2068A Almaty KAZAKHSTANSKAYA PRAVDA
in Russian 10 Aug 94 p 3

[Article by Professor Anatoliy Didenko, doctor of legal sciences: "The Civil Code—As It Should Be"]

[Text] Whoever has familiarized himself with the government's action program for an intensification of the reforms and emergence from the economic crisis will have noticed, of course, how much space it allots the elaboration and adoption of legislative instruments. Consideration of the draft new civil code in its second reading figures in parliament's immediate plans. It is assigned a central place in the field of legal reforms. Members of parliament should understand clearly that they will be dealing with the most important draft law with which the present composition of the corps of deputies will encounter, given a normal development of events. The civil code will regulate both day-to-day property relations of the citizens and the sphere of enterprise. I shall touch on some of the issues connected with the possibilities of the civil code in the sphere of market transformations.

In respect to the civil code we are in the position of a kind of move compulsion, that is, the need to make forced moves: Managing without it is impossible, yet it cannot be expected that it will tackle the tasks for whose accomplishment it is intended.

The need for a new civil code is felt in respect to many political and economic principles. Even the conditions of the socialist structure of society demanded a civil code since there were small islets of the market, the solution of technical questions of the procedures of the conclusion of deals, determination of timeframes, and the procedure of inheritance was required, and, finally, the overall level of civilization compelled the creation of rules on the defense of the honor and dignity and copyright of the citizen and so forth. Now a constitution has been adopted in the republic that without a civil code loses out considerably in terms of richness of content. The islets of the market have increased noticeably. The planned economy is being supplemented by the contractual economy.

As far as the doubts that the civil code can accomplish its purpose are concerned, the main one is as follows. Civil codes of the era of socialism, when the system of absolute party rule barred to the people access to state property, were stunted and miserable successors of their powerful ancestors: the civil codifications of Rome, France, and Germany. A civil code is tied tightly and uni-directionally to the market economy and may operate only under the conditions of the market economy. Currently, however, there is no clarity on the issue of the kind of society we are creating. The people's access to the denationalized property has been barred no less surely than before by a narrow stratum of nouveaux riches, whose broad-based political influence will make itself felt in the not-too-distant future. It would be naive, therefore, to expect that a civil code would in an environment that is alien to it, in the main, be a serious instrument of economic transformations.

The said problems should, in all probability, be a subject of special deliberation. Parliament, on the other hand, will be faced with no less difficult tasks ensuing from the actual content of the draft.

A group of specialists from Holland—Snyders, deputy chairman of the Supreme Court of the Netherlands, and Simons and Feldbruegge, professors at Leyden University—are taking part in the elaboration of the draft civil code. They took part in the preparation of the draft civil codes in Russia and Ukraine. Their discussions with our scholars have been extraordinarily productive. The Ministry of Justice is rendering constant support in work on the draft.

But, as the French say, even the most beautiful woman cannot give more than she has. On account of various circumstances, therefore, parliament cannot receive the most consummate opus of legal thought, which applies to the Russian Civil Code and the Ukrainian and Belarussian civil codes also, for that matter.

It is natural that the civil code will, after it has been adopted, come into conflict with a multitude of other laws, government decrees, and decisions of various departments. How to establish conformity among them? I am a decided supporter of the consideration simultaneously with the draft code of all laws, which are subject to abrogation and revision. When the most famous legal monument—the Code of Civil Laws of the Emperor Justinian (sixth century)—was adopted, it was immediately decided to prohibit the application of all previous laws. If parliament sets aside work on the alignment with the civil code of laws adopted earlier, this will inevitably disturb the already fragile integrity of the concept of a legislative approach to economic transformations and will objectively contribute to disharmony in the actions of the executive authorities and the consequent effect—the arbitrary action of the executive.

Attentive deputies will notice, of course, that they will have been offered a draft of the entire code, whereas Russia has adopted merely the general provisions (the so-called "General Part"), having set aside the Special Part, in which provisions governing individual types of contracts are of predominant significance, for a later period, when practice and current legislation have imparted clearer outlines to the new relationships. Of course, it is possible approving any text and presenting to the president a booklet called a civil or other code, this is possible also. Only we need to ponder whether the entrepreneurs would be looking all that often at these booklets and whether the deputies would not immediately after the adoption of the code be condemned to vote monthly for revisions to be made to the code, as is the case with the Code of Administrative Offenses. At the human level the desire to be more Catholic than the pope and a greater marketeer than the United States and Japan is perfectly understandable. Sovereignty, unlimited therefore, renaming, of each and everything therefore, private property, without the least restrictions therefore, the civil code, the first in all of the CIS, therefore. The first in a republic that in terms of economic indicators lags considerably

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behind the others. The prosperous Netherlands has been adopting its civil code block by block for over 40 years now, and, no problem—its market is not suffering because of this. Should we also not think about it and be in no hurry over the Special Part and wait for the Russian Code, if only for the sake of ensuring the subsequent unity of market legislation in our two economically mutually linked and interdependent republics. The principle "do no harm" is no less important in legislative policy than in medicine.

The draft is being written by quite skilled specialists, but even among these there is no unity on a number of important issues. Practical experts will, most likely, have their say also, which will not always sound in unison with the views of the scholars. Parliament needs to have a clear idea of alternative approaches on key problems, and the most important "market" fragments of the draft: on legal entities, right of ownership, contracts, and some individual types of responsibility, should be published for discussion, therefore.

Hand on heart, I have to say that I do not believe that parliament is capable of comprehending the problems of the civil code. And it is not a question of parliament not having lawyers of the corresponding profile or of it being hard to expect a careful study by a majority of deputies of the bulky and difficult text of the code—attention would be drawn to several of the most comprehensible articles. It is a question of something else. A precise mechanism ensuring the quality of the adopted laws, complex, voluminous laws particularly, is lacking.

The substantive aspect of the code should be worked up with the extensive enlistment of specialists of the courts, the public prosecutor's office, the bar, and the notariate and industrial managers. This enlistment cannot depend entirely on the assertiveness, ties, and competence of the leaders of parliamentary committees, as is frequently the case now, but should ensue automatically.

The question of the conceptual apparatus of the civil code is unusually complex and is not only of a scientific but also a practical nature. Specialists may easily take the deputies for a ride with grave assurances that this concept or the other has long since taken shape in scholarship or is widely known to world practice. In actual fact, this may only partially be the case. Frequently it is a tribute to traditions that is at times practically innocuous, but that sometimes without sufficient justification burdens the text and complicates its practical realization. Here is an example. In order to differentiate between the rights of a proprietor and property rights that are close to him the concepts of the rights of economic jurisdiction and the rights of operational management were formulated in scholarship. Earlier these rights were attached mainly to state-run enterprises and institutions. Now they are employed also to denote the rights of organizations created by a proprietor. The extent of these rights is determined by the law and the proprietor. Scientific logic evokes no objections here. But when the concepts of economic jurisdiction and operational management together with their definitions as special real rights are transferred in clumsy locutions of the "operational manager" type to the text of a law, they are, at best, ignored by

practical experts. Do many representatives of the corps of directors, say, employ these concepts in their vocabulary?! After all, it is far simpler to say that an enterprise that has acquired for the realization of its economic activity property from the proprietor is entitled to this property within the limits established by the proprietor and legislation. Just as a computer user does not necessarily know the internal mechanism of its operation, so the user of a law may get by without a knowledge of the scientific apparatus of its construction—there are specialists for this. Paraphrasing the well-known aphorism, we may say: to the law, what is of the law, to science, what is of science.

The code is designed to tackle at least two groups of tasks. Pertaining to the first is direct regulation of particular relationships. A party to any contract, for example, should have an opportunity to learn from the code under what conditions his responsibility ensues and when he is released from it, in what form a deal should be concluded and what the consequences of its violation are, and so forth. The greatest danger here is overlooking lacunae in the legislative rules and allowing imprecise wording. Pertaining to the second group is the need to predetermine the most important parameters for future laws and legally binding enactments. It is impossible writing out in detail in the code the rules of settlements, shipment, insurance, and much else. Special enactments are needed for this. The code, on the other hand, should say what kind of provisions need to be developed in these enactments and from which provisions there must be no departure. The main danger here is the aspiration to cram into the code just a few more rules that are contained in other enactments. Pretty good provisions governing stock companies, liens, and securities already operate in the republic. These rules being shifted into the code would not enhance the efficiency of the latter but would from the viewpoint of legislative technique make it worse because individual groups of rules would arbitrarily be inflated, and others would arbitrarily be constricted, not to mention the fact that the plethora of special rules would sharply increase the likelihood of frequent revisions being made to the code.

Aside from the substantive aspect, it cannot be forgotten that the civil code has always been regarded as a phenomenon of spiritual culture, not only legal but literary also. Philological expert evaluation of laws is unknown to Kazakhstan's parliament practice, unfortunately. The efforts of Olzhas Suleymenov and other parliamentary craftsmen of the word would be manifestly insufficient in this respect.

I believe that this fact is material from the viewpoint of Kazakh legal terminology also. Some new word occupying a particular niche or confining oneself to a description of a phenomenon with existing words is not for any language, most likely, one and the same thing. It is extraordinarily important, therefore, to find skilled linguistic experts and to charge them with a philological expert evaluation of the draft civil code.

When people conversant with the law say that the civil code is a second constitution, there is a grain of truth in this. But in terms of formal-legal characteristics it is on a

par with other laws and even "lower" than constitutional laws. Whence arises the real danger of the civil code being buried beneath subsequent laws, which, according to the rules of legislative technique, should be applied, despite their nonconformity to the code, merely by virtue of the fact that they were adopted after the code. There is a simple way out of this situation, it would seem: to specify when the civil code is being adopted that all provisions of new laws that are contrary to the civil code operate only when they directly establish an exception to the code or if the corresponding revision has been made to the code. But the constitutionality of a decision where a particular law contains a provision that places it above other laws is highly dubious. The establishment of a hierarchy of laws is a question that should be decided by the constitution.

Law on Revised Republic Budget for 1994

Text of Law

944K2079A Almaty SOVETY KAZAKHSTANA
in Russian 10 Aug 94 pp 2-3

["Republic of Kazakhstan Law 'On the Revised 1994 Republic Budget'"]

[Text] By a decision of the Supreme Council dated 15 June 1991, publication of the republic's legislative acts in the SOVETY KAZAKHSTANA newspaper shall be official.

The Republic of Kazakhstan Supreme Council HAS RESOLVED:

Article 1. The republic budget for 1994 shall be approved in the amount of 72,318.039 million tenge on the revenue side and 92,975.645 million tenge on the expenditure side, with the maximum size of the deficit being 20,657.606 million tenge, in keeping with the Addendum.

Article 2. It shall be established that:

a) the revenues of the republic in 1994 shall be generated through:

- the value-added tax;
- the excise taxes;
- the tax on the profit of enterprises, associations, and organizations, regardless of the form of ownership, including foreign enterprises and joint ventures;
- the land tax;
- fixed (rent) payments;
- the tax on operations with securities;
- the receipt of funds from economic entities for state credit extended under intergovernmental agreements;
- proceeds from the sale of state property;
- other republic-wide taxes, levies, and miscellaneous nontax payments;
- proceeds from the sale of grain from the 1994 crop to meet state needs;
- income from foreign economic operations;
- proceeds from operations with precious metals.

b) Income from foreign economic operations shall be generated through:

- export and import duties;
- proceeds from royalties and bonuses;
- proceeds from the sale of consumer staples imported by the state on the domestic market.

c) Enterprises, associations, and other economic entities with all forms of ownership which are located in the territory of the Republic of Kazakhstan shall pay to the budget of the republic export and import duties in the national currency, in keeping with the customs tariff.

d) Bonuses, various incentive payments, as well as royalties received from foreign investors shall be credited to the foreign exchange accounts of the Republic of Kazakhstan Ministry of Finance, to be subsequently converted on a compulsory basis into the national currency by way of their sale to the Republic of Kazakhstan National Bank. The size of payments for other types of taxes paid by legal entities and individuals of the Republic of Kazakhstan to the aforementioned foreign exchange accounts shall be determined through procedures established by legislation.

Article 3. Proceeds and contributions to the following funds shall be taken into account as the revenues of the republic budget:

- Fund for the Protection of Mineral Wealth and Reproduction of Mineral and Raw Material Resources;
- Economic Transformation Fund;
- Highway Fund;
- State Fund for Facilitating Employment;
- Fund of Support for Entrepreneurship and Development of Competition;
- Environmental Protection Fund.

The Republic of Kazakhstan Ministry of Finance shall finance measures associated with the performance of functions of said funds as monies are taken in by them, but not to exceed the maximum amount of expenditures given below, depending on the actual amount of receipts of the fund in question:

- Fund for the Protection of Mineral Wealth and Reproduction of Mineral and Raw Material Resources—80 percent;
- Economic Transformation Fund—65 percent;
- Highway Fund—60 percent;
- State Fund for Facilitating Employment—70 percent;
- Fund of Support for Entrepreneurship and Development of Competition—80 percent;
- Environmental Protection Fund—80 percent.

The Main Tax Inspectorate of the Republic of Kazakhstan Ministry of Finance shall be charged with monitoring the

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correctness of the computation and payment of contributions to the funds envisioned within the revenue side of the republic budget.

Article 4. Effective 1 January 1994, the rate of contributions for state social security for all enterprises, organizations, and offices, regardless of the form of ownership, shall be set at 30 percent of the labor remuneration fund. The rate of contributions for state social security shall be set at 5 percent for the public organizations of the handicapped and retirees, their enterprises, offices, organizations, and educational establishments, peasant (owner-operated) farms, attorney associations, and individuals engaging in private entrepreneurial activities.

The total amount of social security contributions shall be distributed between the Retirement Benefit Fund and the Social Security Fund in keeping with norms, at 85 and 15 percent, respectively.

Compulsory insurance premiums paid by the citizens to the Retirement Benefit Fund at the rate of 1 percent of wages shall be abolished.

Article 5. It shall be established that:

a) All economically accountable enterprises, associations, and organizations regardless of the form of ownership (with the exception of those operating at a loss, as well as enterprises using foreign capital whose share in the statutory fund exceeds 30 percent and participating in the development and production of mineral resources in keeping with the agreements and contracts signed with the Republic of Kazakhstan Government) shall make compulsory contributions to the Economic Transformation Fund at the rate of 5 percent of the producer cost of products (work, services), with these amounts being included in the producer cost. The monies of the Economic Transformation Fund shall serve to finance investment both in the form of grants as well as on a recoupment basis, as credit resources, with interest indexed in line with inflation being collected, and with the rate of interest being determined by the Republic of Kazakhstan Cabinet of Ministers; the monies shall also be used for expenditures specified by the Republic of Kazakhstan Supreme Council.

The Republic of Kazakhstan Law of 12 April 1993 "On the Republic of Kazakhstan Economic Transformation Fund" (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1993, No. 9, Article 208) shall be amended as follows:

following the words "state fund," the words "within the republic budget" shall be added to Part 1, Article 1;

following the words "of enterprises and organizations," the words "(enterprises using foreign capital whose share in the statutory fund is less than 30 percent and participating in the development and production of mineral

resources in keeping with the agreements and contracts signed with the Republic of Kazakhstan Government)" shall be added to Article 2;

following the word "special," the word "budget" shall be added to Article 4;

the words "and individuals" shall be omitted from paragraph 2, Part 2, Article 6;

Part 7, Article 6 shall be omitted;

paragraph 6, Part 2, Article 8 shall be omitted.

The Republic of Kazakhstan Law of 12 April 1993 "On the Recoupment-Based System of Investment Financing" (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1993, No. 9, page 210) shall be amended and added to as follows:

following the word "special," the word "budget" shall be added, and the word "exclusively" shall be replaced with the word "mainly" in Part 1, Article 3.

b) Enterprises, associations, and organizations located in the territory of the Republic of Kazakhstan, regardless of the form of ownership, shall make compulsory contributions to the Republic of Kazakhstan Fund of Support for Entrepreneurship and Development of Competition in the amount of 1 percent of profits remaining at their disposal after the payment of the profit tax.

c) Enterprises, associations, and organizations of the extractive industries shall make contributions to the Fund for the Protection of Mineral Wealth and Reproduction of Mineral and Raw Material Resources on the basis of rates approved by the Republic of Kazakhstan Cabinet of Ministers in the form of a percentage of the cost of the sold raw materials.

d) The Republic of Kazakhstan State Fund for Facilitating Employment shall be generated through compulsory contributions by employer economic entities in the amount of 2 percent of the labor remuneration fund. Offices and organizations financed from the state budget, kolkhozes, sovkhozes, and other agricultural enterprises, regardless of the form of ownership, that directly produce agricultural products, as well as enterprises of the societies of the deaf, blind, and handicapped, shall be exempt from contributions to the State Fund for Facilitating Employment.

Outlays on resettlement projects shall be funded from the monies of the State Fund for Facilitating Employment.

With a view to creating and preserving existing jobs, 15 percent of the monies of the Fund for Facilitating Employment shall be allocated to finance the housing sector, in keeping with point 3 of the Edict of Republic of Kazakhstan President of 6 September 1993 No. 1344, "On the New Housing Policy."

Article 6. The receipt of revenues by the 1994 republic budget shall be established in the following amounts, by source:

—value-added tax	6,296.008 million
—excise taxes	725.913 million
—tax on the profits of enterprises, associations, and organizations, regardless of the form of ownership, including foreign enterprises and joint ventures	4,331.094 million
—from the National Bank	7,318.0 million
—credit from the National Bank to cover the quarterly deficit	2,934.0 million
—a refund for budget outlays	857.868 million
—rent (fixed) payments	1.6 million
—tax on income from securities belonging to enterprises and from contributory participation in joint ventures	28.046 million
—land tax	3.4 million
—levies and miscellaneous nontax revenues	10,245.8 million
—proceeds from the privatization of state property	8,167.151 million
—proceeds from operations with securities	18.0 million
—receipt of funds from economic entities for state credit extended under intergovernmental agreements	154.871 million
—revenues from foreign economic operations	17,697.555 million
—Economic Transformation Fund	5,290.0 million
—receipt of funds allocated from the Economic Transformation Fund on a recoupment basis	2.0 million
—Fund for the Protection of Mineral Wealth and Reproduction of Mineral and Raw Material Resources	868.124 million
—Highway Fund	3,273.965 million
—State Fund for Facilitating Employment	813.011
—Fund of Support for Entrepreneurship and Development of Competition	268.402
—Environmental Protection Fund	23.951

Article 7. Receipts from the National Bank in the amount of 7.318 billion tenge, of which on the deposits of the **Republic of Kazakhstan Government**—2 billion tenge, a proportion of the 1994 profit—5.048 billion tenge and of the 1993 profit—270 million tenge, shall be taken into account on the revenue side of the republic budget.

The National Bank shall transfer a **proportion of the profit** for 1994 to the revenue side of the republic budget on a monthly basis in equal parts. A recalculation shall be effected no later than the 20th day of the first month following the reporting quarter (for the fourth quarter, on 20 December 1994), taking into account the actual generation of profits.

It shall be established that outlays for the determination of the net profit of the National Bank which is to be credited to the revenue side of the republic budget shall be approved by the Republic of Kazakhstan Supreme Council upon a joint request of the National Bank and the Republic of Kazakhstan Ministry of Finance.

Article 8. The receipt of funds from economic entities by virtue of state credit extended under intergovernmental agreements shall be envisioned on the revenue side of the state budget in the amount of 154.871 million tenge.

Article 9. Withholdings from the receipt of statewide taxes and revenues for the budgets of oblasts and the cities of Almaty and Leninsk shall be established for 1994 at the following rates:

a) the value-added tax:

Almaty, Atyrau, Zhambyl, Zhezkazgan, West Kazakhstan, Kzyl-Orda, Kustanay, Kokshetau, Semipalatinsk, Taldykorgan, Turgay, and South Kazakhstan Oblasts and the city of Leninsk—100 percent, East Kazakhstan Oblast—80 percent, North Kazakhstan and Aktyube Oblasts—70 percent, Mangistau Oblast—50 percent, Akmola Oblast—40 percent, Karagandy Oblast—30 percent, the city of Almaty—20 percent, and Pavlodar Oblast—10 percent.

b) the tax on the profits of enterprises, associations, and organizations regardless of the form of ownership, including foreign enterprises and joint ventures:

Almaty, Atyrau, Zhambyl, Zhezkazgan, West Kazakhstan, Kzyl-Orda, Kokshetau, Semipalatinsk, Taldykorgan, Turgay, and South Kazakhstan Oblasts and the city of Leninsk—100 percent, Aktyube Oblast—82 percent, East Kazakhstan Oblast—76 percent, Kustanay Oblast—62 percent, North Kazakhstan Oblast—59 percent, Mangistau Oblast—44 percent, city of Almaty—33 percent, Karagandy Oblast—27 percent, Akmola Oblast—25 percent, and Pavlodar Oblast—2.4 percent.

c) excise taxes:

Almaty, Atyrau, Zhambyl, Zhezkazgan, West Kazakhstan, Kzyl-Orda, Kokshetau, Taldykorgan, Turgay, South Kazakhstan, Semipalatinsk, East Kazakhstan, Aktyube, North

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Kazakhstan, Kustanay, Karagandy, Akmola and Mangistau Oblasts and the city of Leninsk—100 percent, city of Almaty—20 percent, Pavlodar Oblast—10 percent.

d) fixed (rent) payments:

Atyrau, Kzyl-Orda, Mangistau, and Pavlodar Oblasts—100 percent, Aktyubinsk Oblast—50 percent.

Article 10. The income tax paid by the Republic of Kazakhstan citizens, foreign citizens, and stateless persons, the stamp duty, water fees and the tax on natural resources, forest revenues, compulsory general local taxes and levies, the rates of which are set by the maslikhat-assemblies of deputies, levies and various nontax payments shall be credited in full to the revenue side of the local budgets, with the exception of individual types of revenue that are credited to the republic budget.

Article 11. The sale of treasury notes of the 1992 Republic of Kazakhstan State Domestic Loan placed among legal entities shall cease effective 1 January.

Article 12. It shall be established that payments of the tax on profits received from stock, bonds, and other securities belonging to enterprises, associations, and organizations and from contributory participation in joint ventures shall be made by the payers in the amount of 50 percent to the revenue sides of the republic and relevant local budgets each.

Article 13. Until the Republic of Kazakhstan Supreme Council passes the Republic of Kazakhstan law "On the Personal Income Tax" and law "On the Taxation of Profits and Receipts of Enterprises," the effect of all legislative acts granting tax relief in regard to the taxation of the income of citizens and the tax on the profit (receipts) of enterprises shall be suspended, with the exception of those approved by the Edicts of the Republic of Kazakhstan President of 12 February 1994 No. 1568, "On the Taxation of Profits and Receipts of Enterprises," and of 12 February 1994 No. 1570, "On the Taxation of Personal Income."

The maximum rate of the income tax on the aggregate taxable personal income shall be set at 40 percent of the amount of income exceeding 40 times the minimum annual wage.

It shall be established that veterans of the Great Patriotic War and individuals equated with them and Category I and II handicapped shall be exempt from the payment of the personal income tax in full, and Category III handicapped shall enjoy 50 percent relief.

It shall be determined that the following amounts shall be deducted from the aggregate annual income for the purposes of taxation:

—60 times the minimum **monthly** wage for the following categories of citizens:

Heroes of the Soviet Union and Heroes of Socialist Labor, individuals **honored with the title** Khalyk Kacharmany [People's Hero; the title is rendered in Kazakh in the original], individuals decorated with Orders of Glory of three degrees and the Otan Order;

individuals who remained during the Great Patriotic War in the cities participation in whose defense counts toward labor tenure for a grant of retirement benefits on preferential terms established for the servicemen of the fighting forces, except for citizens who have been awarded the medals Resident of Blockaded Leningrad and For the Defense of Leningrad;

individuals decorated with orders and medals for impeccable and self-denying labor in the rear areas during the period of the Great Patriotic War in 1941-1945;

mothers of many children who have been **honored with the title** Heroine Mother and **awarded** the Altyn Alka [the previous title is rendered in Kazakh in the original] pendant;

—48 times the minimum **monthly** wage for the following categories of citizens:

officer personnel, warrant officers, and servicemen in extended service of the Ministry of Defense, the Republic of Kazakhstan National Security Committee, and other military formations, as well as enlisted men and command personnel of the internal affairs organs—in regard to the amounts of monetary pay;

parents and spouses of servicemen who have died in the line of performing military service duties, as well as the parents and spouses of public servants who have died in the line of official duty. The spouses shall remain entitled to the relief until the moment of remarriage;

one of the parents, spouse, guardian, or trustee who supports a congenitally handicapped person residing together with him and requiring continuous care. In the event that two or more congenitally handicapped persons in need of continuous care reside together with the family, relief shall be granted to both spouses;

citizens residing in areas that have been proclaimed ecological disaster zones through established procedures.

The following shall be exempted from paying the profit tax:

—the Republic of Kazakhstan Voluntary Society of the Handicapped, the Kazakh Society of the Blind, the Kazakh Society of the Deaf, as well as the production and training-and-production enterprises and branches of such enterprises that are owned by these societies and have been created with their funds, and the Kazakh Republic Organization of Afghan War Veterans (without enterprises);

—enterprises, offices, and organizations in which the handicapped account for no less than 50 percent of the total number of employees, provided that no less than 30 **percent** of the generated profits are actually used in the reporting period for the social protection of the handicapped.

In the case of enterprises with foreign investment which were established prior to the issuance of the Edict of the Republic of Kazakhstan President of 12 February 1994 No. 1568, "On the Taxation of Profits and Receipts of

Enterprises," procedures for the taxation of profits shall be continued which were established by:

- subpoint "a," point 10, Article 6 of the Republic of Kazakhstan Law of 14 February 1991 "On Taxes on Enterprises, Offices, and Organizations";
- point "a," Article 20 of the **Kazakh SSR [Soviet Socialist Republic]** Law of 7 December 1991 "On Foreign Investment in the Kazakh SSR."

Article 14. Effective 1 August 1994, a penalty at the rate of 1.5 percent of the unpaid amount for each day past due shall be collected in the event of a premeditated failure to pay taxes and other compulsory fees into the revenue side of the budget (with the exception of offices funded from the state budget) while funds are available in the settlement account. The present procedure shall not apply to offices funded from the budget when contributions to the Retirement Benefit Fund and the Social Security Fund are made.

Article 15. It shall be established that the excise taxes on alcohol and wine materials purchased by enterprises and organizations and sold to individuals shall be paid by these enterprises and organizations.

The excise taxes on drinking ethyl alcohol and rectified ethyl alcohol made of edible raw materials, wine materials, fortified beverages (juices), herbal liqueur, wine and vodka products, and beer from customer-supplied raw materials shall be paid by enterprises and organizations, economic entities with all forms of ownership, including enterprises with foreign participation, as well as their branches and divisions which have manufactured the aforementioned products.

a) education and vocational training of personnel	2,891.217 million tenge
b) culture and arts	466.237 million tenge
c) mass media	893.153 million tenge
d) health care	2,401.456 million tenge
e) social welfare	255.835 million tenge
f) youth policy, tourism, physical education, and sports	237.025 million tenge

Article 23. Effective 1 January 1994, the size of scholarships for full-time graduate students shall be established at the level of the wage rate for junior research associates without scientific degrees, for college students—at the rate of 80 percent, and for the students of special secondary educational establishments and vocational technical schools with the duration of instruction of up to 10 months—70 percent of the size of the minimum wage per month.

Effective 1 September 1994, the size of scholarships for full-time graduate students shall be established at the level of the wage rate for junior research associates without scientific degrees, for college students—at the rate of 100 percent, and for the students of special secondary educational establishments and vocational technical schools

Article 16. In the event that the amounts of the value-added tax paid to suppliers for the acquired merchandise and material assets exceed the amounts of the tax received from the buyers for the goods (work, services) sold, the emerging difference shall be credited toward forthcoming payments to the budget or shall be refunded from the budget up to the limit of the amount of taxes paid in the reporting fiscal year.

Article 17. The edict of the Presidium of the Kazakh SSR Supreme Soviet of 31 August 1992 (VEDOMOSTI VERKHOVNOGO SOVETA KAZAKHSKOY SSR, 1982, No. 36, page 361) "On Banning the Keeping of Carnivorous Fur Animals as Personal Property of Citizens" shall be recognized to be void.

Article 18. Appropriations in the republic budget to finance the national economy shall be approved in the amount of 8,899.551 million tenge.

Article 19. Funds in the amount of 4.93 billion tenge shall be envisioned in the republic budget to make up the difference in prices for bread and baked products, millet, semolina, flour sold in lieu of baked bread, and mixed feed, including 80 million tenge to pay the arrears for 1993.

Article 20. A compensation mechanism shall be introduced in conjunction with the gradual cancellation of the regulation of prices for bread and baked products, millet, semolina, flour sold in lieu of baked bread, and mixed feed manufactured from grain allocated from state resources, as well as for the main types of baby food, including food concentrates.

Article 21. Funds in the amount of 8 billion tenge for futures transactions with grain from the 1994 crop shall be envisioned in the republic budget.

Article 22. Appropriations to fund sociocultural projects shall be approved in the amount of 7,144.923 million tenge, of which the allocation shall be:

with the duration of instruction of up to 10 months—80 percent of three times the amount of the minimum wage per month.

State scholarships for college students and students of special secondary schools shall be granted with grades, family status, and financial situation taken into account.

Article 24. Partial compensation of outlays on meals per student per day on the basis of 5 percent of the size of the minimum wage per month shall be established for the 1993-1994 school year for the students of grades one through four.

Article 25. The free issuance of school textbooks in general schools solely to students from low-income families and families with many children shall be introduced beginning with the 1994-1995 school year.

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Article 26. Fares reduced by 50 percent, at the expense of the monies of relevant educational institutions, in state-owned railway transportation during vacations (two round trips a year) shall be continued in 1994 for out-of-town college students, students receiving daytime instruction in higher and special secondary educational institutions of the republic, and auditing students of the preparatory divisions of higher educational institutions.

Article 27. The Republic of Kazakhstan law "On Education" of 18 January 1992 (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1992, No. 6, page 110; 1993, No. 8, page 154) shall be amended as follows:

the words "and in workers' settlements" shall be omitted from paragraph 8, Part 1, Article 28.

Article 28. The size of the minimum wage shall be established to be 40 tenge per month effective 1 February 1994, 100 tenge effective 1 April, 150 tenge effective 1 July, and 200 tenge effective 1 October, without taking into account additional payments, allowances, bonuses, and other incentive payments.

The minimum size of old-age retirement benefits shall be set at the level of the minimum wage.

Article 29. In conjunction with the growth of prices for foodstuffs, the payment of monthly monetary compensation for low-income nonworking retirees shall be envisioned effective 1 February 1994, based on a percentage of the minimum labor compensation per month established by law at the rate of:

- 60 percent—for those receiving full labor-based old-age retirement benefits, disability benefits, benefits for labor tenure, as well as disability benefits for servicemen in compulsory military service;
- 40 percent—for those receiving labor-based retirement benefits with short labor tenure, as well as survivor benefits;
- 20 percent—for those receiving social retirement benefits.

In conjunction with the growth of prices for bread, flour in lieu of baked bread, and baked products, the payment of monthly monetary compensation to low-income nonworking retirees shall be envisioned effective 1 July 1994, based on a percentage of the minimum labor compensation per month established by law at the rate of:

- 85 percent—for those receiving full labor-based old-age retirement benefits, disability benefits, benefits for labor tenure, as well as disability benefits for servicemen in compulsory military service;
- 65 percent—for those receiving labor-based retirement benefits with short labor tenure, as well as survivor benefits;
- 45 percent—for those receiving social retirement benefits.

Said payments shall be made to retirees drawing retirement benefits not exceeding two times the amount of the

minimum monthly wage established by law on the average per month in the preceding quarter.

Article 30. In view of the ineffectiveness of the existing system for the allocation of social relief in the Republic of Kazakhstan, new arrangements for the allocation of personalized social relief shall be introduced effective 1 April 1994 instead of the ones previously in effect, providing for the payment of monthly monetary compensation based on the size of the minimum monthly wage to the families of those who perished or died as a result of radiation sickness and of the handicapped who died as a result of the catastrophe at the Chernobyl AES [Nuclear Power Station]—at the rate of 2.0; to mothers of many children—at the rates of 1.3 to 2.0, depending on the decoration and the number of children; to other categories of citizens who have suffered as a result of the catastrophe at the Chernobyl AES—at the rate of 1.0.

The effect of Articles 12 and 25 of the Republic of Kazakhstan law "On Education" of 18 January 1992 (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1992, No. 6, page 110) shall be suspended until 1 April 1997 as it applies to compensatory payments to parents (individuals substituting for them) for children of preschool age who are being reared in the family and compensation to parents for educating children in the family and at nonstate educational institutions.

In conjunction with the passage by the Republic of Kazakhstan of acts to provide social protection for citizens affected by the Chernobyl catastrophe, with the relief and compensation in effect preserved, the effect of the USSR law of 12 May 1991 "On Social Protection for Citizens Who Have Suffered as a Result of the Chernobyl Catastrophe" shall be **considered** null in the Republic of Kazakhstan territory.

Article 31. It shall be established that the payment of retirement benefits in keeping with the Kazakh SSR law of 17 June 1991 "On the Provision of Retirement Benefits for Citizens" shall be made out of the monies of the Retirement Benefit Fund. Lump-sum grants in conjunction with the birth of a child in the amount of four times the size of the minimum monthly wage and lump-sum funeral allowances in the amount of 10 times the minimum monthly wage shall be paid out of the monies of the Social Security Fund.

Article 32. Effective 1 January 1994, monthly allowances shall be introduced for families with children, as the following percentages of the size of the minimum monthly wage:

- uniform allowances for children aged: under 6—75 percent, between 6 and 18—80 percent;
- state allowances paid to single mothers for children aged: under 6—50 percent, between 6 and 18—60 percent;
- allowances for the children of servicemen in compulsory military service—80 percent;

- allowances for children infected with the virus of acquired human immune deficiency or sick with AIDS—80 percent;
- financial support for handicapped children who are being reared and educated at home, in keeping with Article 23 of the Kazakh SSR law of 21 June 1991 "On Social Protection for the Handicapped in the Kazakh SSR" (VEDOMOSTI VERKHOVNOGO SOVETA KAZAKHSKOY SSR, 1991, No. 26, page 345) shall be provided to one of the parents or a person substituting for them—in the amount of 150 tenge in the first quarter and 450 tenge in subsequent quarters;
- allowances for minor children for the duration of a search for their parents who evade the payment of child support shall be paid out of the monies of local budgets through procedures and in the amounts envisioned for the payment of state allowances to single mothers for their children.

Taking into account the growth of prices for bread, flour in lieu of baked bread, and baked products, monthly allowances for families with children shall be envisioned effective 1 July as the following percentages of the size of the monthly minimum wage:

- uniform allowances for children aged: under 6—100 percent, between 6 and 18—105 percent;
- state allowances paid to single mothers for children aged:
under 6—75 percent, between 6 and 18—85 percent;

a) Republic of Kazakhstan Supreme Council	98.527 million tenge
b) Staff of the President and the Republic of Kazakhstan Cabinet of Ministers	98.007 million tenge
c) Republic executive and administrative organs	2,913.778 million tenge
d) Republic of Kazakhstan Supreme Court	60.127 million tenge
e) Republic of Kazakhstan Constitutional Court	10.423 million tenge
f) Oblast courts and Almaty and Leninsk City Courts	66.109 million tenge
g) Republic of Kazakhstan people's courts	223.163 million tenge
h) Republic of Kazakhstan arbitration courts	56.685 million tenge
i) Republic of Kazakhstan Procuracy	317.972 million tenge

Within one month, the Republic of Kazakhstan Cabinet of Ministers shall approve the specific distribution of expenditures among the republic executive and administrative organs.

Article 35. Appropriations shall be confirmed in the republic budget:

- for the maintenance of law enforcement organs—4,879.593 million tenge;
- for defense—8,987.019 million tenge;
- for other expenditures—516.033 million tenge;
- for holding elections to the Republic of Kazakhstan Supreme Council and local representative organs—71.597 million tenge.

- allowances for the children of servicemen in compulsory military service—105 percent;
- allowances for children infected with the virus of acquired human immune deficiency or sick with AIDS—105 percent.

At the same time, procedures shall be continued for the payment of uniform allowances for children established by the Decree of the Republic of Kazakhstan Cabinet of Ministers of 16 November 1992 No. 960, "On Approving the Regulations on Computing the Aggregate Income per Family Member for the Purposes of Compensation Payments to Low-Income Citizens in Conjunction With Increases in Prices for Key Foodstuffs and Allowances for Children," as amended by the decree of the Republic of Kazakhstan Cabinet of Ministers of 5 February 1993 "On Amending the Decree of the Republic of Kazakhstan Cabinet of Ministers of 16 November 1992 No. 960."

Said payments shall be made out of the monies of relevant budgets.

Article 33. Appropriations for funding science shall be set at 1,165.987 million tenge in the republic budget, of which the amount of 221.3 million tenge for the National Academy of Sciences and the amount of 180.6 million tenge for the Kazakh Agricultural Academy.

Article 34. Appropriations for the maintenance of the organs of state power and governance, judicial organs, and the procuracy shall be set at 3,844.791 million tenge in the republic budget, of which:

Article 36. Appropriations shall be allocated in the republic budget for outlays on:

- paying prizes on the 1992 Republic of Kazakhstan State Internal Premium Loan and the holding of prize drawings for the loan in the amount of 40 million tenge;
- paying back, and paying the interest on, the 1992 Republic of Kazakhstan State Loan placed among legal entities and paying proceeds from it in the amount of 3.646 million tenge to enterprises, associations, and organizations.

Article 37. Funding shall be envisioned to pay back the 1993 debt of the government to the Republic of Kazakhstan People's Bank for the buyback of the bonds of the

1990 USSR State Special-Purpose Interest-Free Loan in the amount of 9.796 million tenge.

Article 38. Expenditures to make up the resources of the Republic of Kazakhstan People's Bank which were transferred to the USSR State Bank prior to the disintegration of the Union as of 1 January 1991 and funds for 40-percent compensation in the total amount of 42.536 tenge shall be approved.

It shall be established that 50 percent of the proceeds received by the Republic of Kazakhstan People's Bank from the sale of monetary assets (less the outlays of the bank) shall be allocated to pay interest on deposits.

It shall be taken into account that one-time compensation of losses caused by the depreciation of deposits of the population at the institutions of the Republic of Kazakhstan People's Bank shall be effected by way of the first R1,000 in the balances of deposits as of 1 August 1992 being multiplied by a factor of 50, with expenditures for this purpose being approved in the amount of 850 million tenge.

Article 39. The republic budget shall envision 10,973.887 million tenge for purchasing foreign exchange to finance government expenditures associated with foreign economic operations in the following areas:

- for outlays to service the foreign debt;
- for dues to be paid to international organizations;
- for acquiring imported consumer staples to be sold on the domestic market;

Almaty Oblast	471.823 million tenge
Atyrau Oblast	75.078 million tenge
Zhambyl Oblast	491.841 million tenge
Zhezkazgan Oblast	246.219 million tenge
West Kazakhstan Oblast	163.676 million tenge
Kzyl-Orda Oblast	1,151.485 million tenge
Kokshetau Oblast	236.339 million tenge
Semipalatinsk Oblast	561.507 million tenge
Taldykorgan Oblast	471.083 million tenge
Turgay Oblast	189.511 million tenge
South Kazakhstan Oblast	1,539.777 million tenge
City of Leninsk	322.297 million tenge

Article 43. Revolving balance in hand of the republic budget as of the end of 1994 shall be set at 16 million tenge.

Article 44. The following appropriations shall be envisioned in the republic budget:

- to pay arrears in actual payments made in the fourth quarter of 1993 and the first quarter of 1994 in keeping with the USSR law of 12 May 1991 "On Social Protection for Citizens Who Have Suffered as a Result of the Chernobyl Catastrophe" in the amount of 1.2 million tenge, and to maintain interstate organizations—84.322 million tenge;

- for maintaining diplomatic and commercial missions abroad;

- for acquiring the buildings of embassies and residences;

- for business travel abroad;

- for personnel training;

- for other urgent needs of the republic.

In addition, outlays to pay back a foreign loan—3.538 billion tenge—shall be envisioned out of foreign financing.

Outlays associated with paying back foreign loans extended against the guarantees of the local organs of state power and governance through the republic budget, with interest on serving them taken into account, shall be included on the expenditure side of local budgets.

Article 40. It shall be established that effective 1 January 1994, medicines imported by enterprises and organizations of the Ministry of Health out of the Republic of Kazakhstan centralized funds and foreign credit shall be sold at unrestricted market prices.

Article 41. A reserve fund of the Republic of Kazakhstan Cabinet of Ministers in the amount of 528.2 million tenge shall be approved, including 303 million tenge to finance emergency situations.

Article 42. Grants shall be allocated in 1994 to the budgets of oblasts and the city of Leninsk in the amount of 5,920.636 million tenge, of which:

- to pay arrears in actual payments made in the fourth quarter of 1993 and the first quarter of 1994 in keeping with the Republic of Kazakhstan law of 30 June 1992 "On Social Protection for Citizens Who Have Suffered as a Result of the Ecological Disaster in the Aral Area" in the amount of 1.217 million tenge and in keeping with the Republic of Kazakhstan law of 14 April 1993 "On the Rehabilitation of Victims of Mass Political Reprisals"—7 million tenge;

- to pay back state credit under intergovernmental agreements and pay interest for the use of credit in the amount of 154.871 million tenge.

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The effect of the articles from the following legislative acts shall be restored:

- Articles 35, 36, 39, 40 and 41 of the Kazakh SSR law of 21 June 1991 "On Social Protection for the Handicapped in the Kazakh SSR" (VEDOMOSTI VERKHOVNOGO SOVETA KAZAKHSKOY SSR, 1991, No. 26, page 345) with regard to the provision of motor vehicles, payments for municipal services, installation of telephones and cable radio on preferential terms, free use of cable radio, and free travel;
- paragraphs 1, 2, and 3, Part 4, and paragraphs 1 and 2, Part 5, Article 6, paragraphs 1, 2, and 3, Part 9, Part 10, and Part 11, Article 7 of the Kazakh SSR law of 28 June 1991 "On State Youth Policy in the Kazakh SSR" (VEDOMOSTI VERKHOVNOGO SOVETA KAZAKHSKOY SSR, 1991, No. 28, page 377), with regard to granting long-term easy credit to young families to build and provide housing, to acquire an auxiliary farm for the household, and to pay share contributions to housing construction cooperatives, as well as to extending interest-free bank loans to young families when a child is born;
- paragraphs 2, 4, and 5, Part 2, Article 18 of the Regulations on Retirement Benefits for Special Merit in Service to the Republic of Kazakhstan approved by the decree of the Republic of Kazakhstan Supreme Council of 17 January 1992 (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1992, No. 5, page 109);
- points 2 and 4, Article 61 of the Republic of Kazakhstan law of 17 January 1992 "On the Republic of Kazakhstan Procuracy" (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1992, No. 5, page 163) with regard to the payment of the cost of travel while on leave to the point of vacationing and back and the free use, upon the production of the official identity document, of all means of public transportation in mass transit, commuter, and local carriage (with the exception of taxis);
- Articles 47 and 51 of the regulations "On the Course of Service in Procuracy Organs, and on Class Grades and Military Ranks of the Functionaries of the Republic of Kazakhstan Procuracy," dated 6 July 1992 (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1992, No. 17, page 430);
- Article 16 of the Republic of Kazakhstan law of 23 June 1992 "On the Republic of Kazakhstan Internal Affairs Organs" (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1992, No. 11-12, page 288; 1992, No. 24, page 593) with regard to the payment of 50 percent of the cost of living space, municipal services, fuel, and current expenditures for the upkeep of housing;
- Parts 7, 8, and 9, Article 11; Part 3 with regard to the payment of an allowance for subleasing (leasing) housing; Parts 12 and 13, Article 12; Part 6, Article 13 with regard to the payment of monetary compensation amounting to 50 percent of the cost of resort vouchers for the family members of servicemen; Part 1—with regard to free

travel while on leave and upon discharge, Part 2—with regard to according relief to the family members of servicemen in the form of free travel in the territories of states belonging to the CIS to the destination of leave, including to the location of treatment and back, Part 4 (except for servicemen drafted into the service, students and cadets at military training institutions), Part 7, Article 16; Part 6, Article 17 of the Republic of Kazakhstan law of 20 January 1993 "On the Status and Social Protection for Servicemen and Their Family Members" (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1993, No. 2, page 32);

- Article 47 of the Republic of Kazakhstan law of 21 January 1993 "On Retirement Benefits for Servicemen, Command Personnel, and Enlisted Men of the Internal Affairs Organs and Their Family Members" (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1993, No. 2, page 35) with regard to the inclusion of the cost of food rations for the purpose of calculating retirement benefits;

- Articles 30 and 32 of the Republic of Kazakhstan law of 1 April 1993 "On Republic of Kazakhstan State Decorations" (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1993, No. 8, page 157) with regard to 50-percent rent and payments for municipal services, the issuance of free sanatorium and resort hotel vouchers, the provision of free travel once a year within the borders of the Republic of Kazakhstan by rail, waterway, air, or intercity motor-vehicle transportation, free travel on urban and commuter transit, and in rural areas—on buses on intraroute routes, as well as with regard to exemptions from all types of income taxes;

- Part 3, Article 16 and Part 2, Article 21 of the Republic of Kazakhstan law of 10 April 1993 "On College Education" (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1993, No. 9, page 206) with regard to the allocation of an allowance in the amount of their scholarships to the students of state colleges, and in the amount of their position salary to college instructors for the acquisition of instructional, scientific, and methodological literature.

Article 45. The Republic of Kazakhstan National Bank shall ensure the crediting to the accounts of relevant budgets of:

- the amount of taxes on the profits of enterprises, associations, and organizations, regardless of the form of ownership, including foreign enterprises and joint ventures, at standard rates established by the present law and the relevant maslikhat-assemblies of deputies;
- the amounts of the income tax on the Republic of Kazakhstan citizens, foreign citizens, and stateless persons at standard rates set by the maslikhat-assemblies of deputies.

Article 46. Debt to the Republic of Kazakhstan National Bank by virtue of a loan received in 1993 to cover the deficit of the republic budget in the amount of 859.255 million tenge, to be serviced at the 10-percent annual rate during the first five years, and the loan debt of privatized

state agricultural enterprises whose recoupment is not ensured in the amount of 28.128 million tenge shall be written off and attributed to the domestic public debt.

Article 47. Expenditures shall be approved within the republic budget for paying back to the Republic of Kazakhstan National Bank the internal public debt of the Republic of Kazakhstan as of 1 January 1994 in the total amount of 71.477 million tenge, including:

—on credit from the National Bank to cover the deficit of the 1992 republic budget	31.2 million tenge
—to write off the indebtedness of kolkhozes and sovkhozes on bank loans	5.415 million tenge
—to write off the indebtedness on refunding the difference in prices for agricultural products and raw materials for light industry, and on paying differentiated bonuses on top of procurement prices	1.812 million tenge
—to write off the indebtedness of the Kazkhelebozprodukt concern on refunding the difference in prices for grain crops	4.922 million tenge
—loan debt of privatized state agricultural enterprise whose recoupment is not ensured	28.128 million tenge

Article 48. The payment of 90 million tenge to the National Bank as interest for servicing the domestic debt shall be envisioned.

Article 49. It shall be established that the deficit of the 1994 republic budget in the total amount of 20,657.606 million tenge shall be financed out of the following sources:

1) Out of receipts from a foreign loan	16,600.8 million tenge
2) Due to the sale of securities, total	500 million tenge
of which:	
—receipt of funds from the sale of treasury notes of the 1992 Republic of Kazakhstan State Domestic Premium Loan placed among individuals	4 million tenge
—receipt of funds from the auctioning of short-term State Treasury Bills	50 million tenge
—proceeds from holding lotteries	1 million tenge
—other types of securities	445 million tenge
3) Out of domestic sources, total	3,556.806 million tenge
of which:	
—credit resources of the National Bank	3,299 million tenge
—balances of budget funds as of the beginning of the year used to cover expenditures	257.806 million tenge

Article 50. The use of credit from the National Bank in the amount of 6,233 million tenge to cover the 1994 budget deficit shall be envisioned; of these, the amount of 2,934 million tenge shall be paid during the second half of 1994.

[Signed] Republic of Kazakhstan President N. Nazarbayev
Almaty, House of Parliament
14 July 1994
No. 137-XIII

Addendum

944K2079B Almaty SOVETY KAZAKHSTANA
in Russian 10 Aug 94 p 3

Article 51. It shall be established that in 1994, the Republic of Kazakhstan National Bank shall service the domestic debt of the government at 10 percent annual rate, and shall extend credit to cover the deficit of the republic budget at the refinancing rate, as well as use spare budgetary funds as credit resources, in keeping with a contract signed with the Republic of Kazakhstan Ministry of Finance.

["Supplement to the Republic of Kazakhstan Law on the Revised 1994 Republic Budget. The Revised 1994 Republic Budget of the Republic of Kazakhstan"]

[Text]

REVENUES	
Section I: Republic budget	
Value-added tax	6,296.008 million tenge
Excise tax	725.193 million tenge
Tax on the profit of enterprises, associations, and organizations	4,331.094 million tenge
Profits from the National Bank credited to the revenue side of the budget, total	7,318.0 million tenge
of which:	
—withholdings from 1993 profits	270.0 million tenge
—withholdings from 1994 profits	5,048.0 million tenge

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—from the proceeds for using the balances of funds in the deposits of the government and local executive organs	2,000.0 million tenge
Proceeds from operations with precious metals	1,000.0 million tenge
Refunds for outlays incurred by the budget	857.868 million tenge
Levies and various nontax revenues, total:	10,245.800 million tenge
of which:	
—receipts of funds from fees charged to register economic entities	12.76 million tenge
—receipts from the sale of licenses	200.0 million tenge
—other receipts	550.0 million tenge
—leasing fee for Baykonur	4,600.0 million tenge
—receipt of funds for the imported goods delivered	4,883.04 million tenge
of which:	
—from local administrations for transportation vehicles	2,457.2 million tenge
—from the Kunarlyyk state joint-stock company	1,015.35 million tenge
—from the Zoological and Veterinarian Supply republic company	663.76 million tenge
—from the Ministry of Transportation	331.88 million tenge
—from the Pharmacy state holding company	331.88 million tenge
—from the Medical Equipment joint-stock company	82.97 million tenge
Tax on the profits of enterprises, associations, and organizations	28.046 million tenge
Rental (fixed) payments	1.6 million tenge
Land tax	3.4 million tenge
Tax on operations with securities	18.0 million tenge
Proceeds from the privatization of state assets	8,167.151 million tenge
Proceeds from the sale of grain of the 1994 crop	2,000.0 million tenge
Receipt of funds allocated from the Economic Transformation Fund on a recoupment basis	2.0 million tenge
Receipt of funds from economic entities for state credit extended under intergovernmental agreements	154.871 million tenge
Bank credit extended during 1994 to cover the budget deficit	2,934.0 million tenge
TOTAL REVENUES for Section I	44,083.031 million tenge
Section II: Special-purpose financing funds	
—Fund for the Protection of Mineral Wealth and Reproduction of Mineral and Raw Material Resources	868.124 million tenge
—Economic Transformation Fund	5,290.0 million tenge
—Highway Fund	3,273.965 million tenge
—State Fund for Facilitating Employment	813.011 million tenge
—Fund of Support for Entrepreneurship and the Development of Competition	268.402 million tenge
—Environmental Protection Fund	23.951 million tenge
TOTAL REVENUES for Section II	10,537.453 million tenge
Section III: Foreign economic operations	
—Export customs duty	10,393.31 million tenge
—Import customs duty	375.987 million tenge
—Proceeds from royalties and bonuses	3,836.0 million tenge
—Customs procedures	300.0 million tenge
—Proceeds from the sale of imported consumer staples on the domestic market	1,535.75 million tenge
—Other proceeds from local administrations to cover the debt incurred to upgrade and expand telecommunications networks	1,256.508 million tenge
TOTAL REVENUES for Section III	17,697.555 million tenge
GRAND TOTAL FOR REVENUES	72,318.039 million tenge
EXPENDITURES	

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Section I: Republic budget	
FUNDING FOR THE NATIONAL ECONOMY	8,899.551 million tenge
of which:	
Republic of Kazakhstan Ministry of the Power Industry and the Coal Industry, total:	73.301 million tenge
—as compensation for preferential rates, including those for the veterans and handicapped veterans of the Great Patriotic War	33.301 million tenge
—for renewable energy sources	40.0 million tenge
CONSTRUCTION COMPLEX:	
Republic of Kazakhstan Ministry of Construction for design	2.394 million tenge
TOTAL for the construction complex	2.394 million tenge
AGRO-INDUSTRIAL COMPLEX	
Republic Kazakhstan State Committee for Water Resources for current expenditures	138.411 million tenge
Agricultural Academy of Kazakhstan for current expenditures	1.041 million tenge
Republic of Kazakhstan Ministry of Agriculture, total	2,204.511 million tenge
of which:	
—current expenditures	667.96 million tenge
—payment of interest on long-term loans	0.051 million tenge
—development of peasant farms	2.3 million tenge
—health maintenance for the herd	366.6 million tenge
—acquisition of elite seeds	284.4 million tenge
—outlays on plant protection	300.0 million tenge
—outlays on the acquisition of fertilizer	429.7 million tenge
—outlays on the reproduction of the basic herd	153.5 million tenge
Kunarlyk state joint-stock company for the critical imports of herbicides	1,015.35 million tenge
Zoological and Veterinarian Supply republic company for the critical imports of medicinal preparations	663.76 million tenge
Republic of Kazakhstan State Land Committee for current expenditures	119.7 million tenge
Togan company for current expenditures	14.409 million tenge
TOTAL for the agro-industrial complex	4,157.182 million tenge
TRANSPORTATION COMPLEX AND COMMUNICATIONS	
Kazakhstan Zholdary company for current expenditures (avalanche control projects)	17.192 million tenge
Republic of Kazakhstan Ministry of Transportation and Communications, total	425,409 million tenge
of which:	
—current expenditures (maintenance of transportation routes, navigable locks, and the navigation safety inspectorate)	18.424 million tenge
—for the critical imports of spare parts for buses (RAMA republic company)	331.88 million tenge
—for the maintenance of the government messenger service	18.587 million tenge
—as compensation for preferential fares, including those for veterans and handicapped veterans of the Great Patriotic War	56.518 million tenge
TOTAL for transportation and communications	442.601 million tenge
SOCIAL COMPLEX	
Kazakh Cinema company, total	68.388 million tenge
of which:	
—making up the loss on the organization of motion picture distribution	35.178 million tenge
—production of national feature films, documentaries and newsreels, films for children and cartoons	12.4 million tenge
—production of the "Way of Abay" motion picture	20.81 million tenge
Kazakh Telegraph Agency (to make up the losses)	4.326 million tenge
Kazakh State Agency for Copyright and Associated Rights (to make up the losses)	0.978 million tenge

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Republic of Kazakhstan Ministry of Information and the Press to make up the losses entailed by the publication of socially significant literature	111.339 million tenge
TOTAL for the social complex	185.031 million tenge
NOT BELONGING TO COMPLEXES	
Ministry of Ecology and Biological Resources (current expenditures), total	302.025 million tenge
—of which Forestry Committee	230.983 million tenge
Kazakh Geodesy Administration to defray outlays for the acquisition of products under state requisitions	38.538 million tenge
Alaugaz state holding company, total	335.731 million tenge
of which:	
—as compensation for preferential rates, including those for veterans and handicapped veterans of the Great Patriotic War	85.942 million tenge
—compensation of expenditures entailed by the delivery of fuel on preferential terms to low-income citizens	249.789 million tenge
Committee for State Material Reserves of the Cabinet of Ministers, total	20.238 million tenge
of which:	
—current expenditures	17.526 million tenge
—capital repairs	2.712 million tenge
Ministry of Justice (maintenance of the publishing house)	11.104 million tenge
National Patent Department of the Cabinet of Ministers (to make up the losses)	0.164 million tenge
Aquatic Rescue Society of the Republic of Kazakhstan for current expenditures (operational maintenance)	0.68 million tenge
Republic of Kazakhstan Ministry of the Economy for the maintenance of a dormitory	0.537 million tenge
Ministry of Finance, including outlays on the organization of customs control, the treasury, and the tax militia	435.133 million tenge
Supreme Council for the upkeep of a health-maintenance facility and the Engineering Center	19.685 million tenge
Pharmacy state holding company for the critical import of medicines	331.88 million tenge
Medtekhnik joint-stock company for the critical imports of medical equipment	82.97 million tenge
Facilities Administration of the Staff of the President and the Cabinet of Ministers, total:	47.715 million tenge
—current expenditures	5.40 million tenge
—other expenditures	42.315 million tenge
Kazakh Committee for Hydrometeorology	112.452 million tenge
Expenditures of ministries (maintenance of sanatoriums and other facilities of the social sphere)	0.76 million tenge
For the implementation of a new housing policy, total	2,084.43 million tenge
of which:	
a) 20 percent [of proceeds] from the privatization of state property in the form of long-term credit resources	1,633.43 million tenge
b) expenditures to buy credit resources for housing projects out of budget appropriations	28.5 million tenge
c) subsidies for applicants for apartments who have been on housing waiting lists for more than 10 years	68.4 million tenge
d) capital investment in housing construction	354.1 million tenge
For carrying out the National Program for Denationalization and Privatization—Stage II (1993-1995)	85.0 million tenge
For the completion of the Abay complex	100.0 million tenge
Expenditures for conversion	30.0 million tenge
TOTAL for those not belonging to complexes	4,039.042 million tenge
FUNDING FOR SOCIOCULTURAL PROJECTS	7,144.923 million tenge
of which:	
Education and vocational training of personnel	2,891.217 million tenge
Culture and the arts	466.237 million tenge
Mass media	893.153 million tenge
Health care	2,401.456 million tenge
Youth policy, tourism, physical education, and sports	237.025 million tenge

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Social welfare, total:	255.835 million tenge
—compensation to low-income individuals, retirees, and the handicapped in conjunction with the introduction of unrestricted prices	30.278 million tenge
--monetary equivalent in lieu of preferences	15.233 million tenge
—maintenance of social welfare offices and projects	41.581 million tenge
—compensation for outlays on treatment at sanatoriums and resorts and lump-sum grants-in-aid, including veterans and handicapped veterans of the Great Patriotic War	168.743 million tenge
FUNDING FOR SCIENCE, total:	1,165.987 million tenge
National Academy of Sciences	221.3 million tenge
Kazakh Agricultural Academy	180.6 million tenge
DEFENSE EXPENDITURES, total	8,987.019 million tenge
of which:	
General-Purpose Armed Forces	6,611.591 million tenge
CIS Strategic Forces	1,772.805 million tenge
Civil Defense Headquarters	146.156 million tenge
Republic Guard	142.299 million tenge
Navy	314.168 million tenge
EXPENDITURES TO MAINTAIN ORGANS OF STATE POWER, JUDICIAL ORGANS, AND THE PROCURACY, total	931.013 million tenge
of which:	
Supreme Council	98.527 million tenge
Staff of the President and the Cabinet of Ministers	98.007 million tenge
Supreme Court	60.127 million tenge
Constitutional Court	10.423 million tenge
Oblast courts and Almaty and Leninsk City Courts	66.109 million tenge
People's courts	223.163 million tenge
Supreme Court of Arbitration	56.685 million tenge
Procuracy	317.972 million tenge
EXPENDITURES TO MAINTAIN LAW ENFORCEMENT ORGANS, total	4,879.593 million tenge
of which:	
Ministry of Internal Affairs	2,674.197 million tenge
National Security Committee	1,574.964 million tenge
Internal Troops	622.294 million tenge
State Technical Commission for Information Security of the Cabinet of Ministers	7.176 million tenge
Commission for the Review of Citizens' Petitions in Conjunction With Service in the Armed Forces	0.962 million tenge
EXPENDITURES FOR THE MAINTENANCE OF REPUBLIC AND LOCAL EXECUTIVE AND ADMINISTRATIVE ORGANS OF STATE POWER AND STATE GOVERNANCE	2,913.778 million tenge
RESERVE FUNDS, total	528.2 million tenge
of which funding for emergency situations	303.0 million tenge
MISCELLANEOUS PAYMENTS, total	12,930.0 million tenge
of which:	
—funds to purchase grain of the 1994 crop	8,000.0 million tenge
—compensation for differences in prices for bread and mixed feed	4,930.0 million tenge
including:	
—to regulate prices for bread and mixed feed in 1994	4,850.0 million tenge
—arrears for bread in 1993	80.0 million tenge
OTHER EXPENDITURES	516.033 million tenge

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EXPENDITURES TO HOLD ELECTIONS	71.597 million tenge
EXPENDITURES TO SERVICE THE DOMESTIC PUBLIC DEBT, total	11,839.835 million tenge
of which:	
—repayment and payment of interest on the 1992 Republic of Kazakhstan State Loan placed among legal entities	3.646 million tenge
—payment of interest to the holders of State Treasury Notes of the 1990 Kazakh SSR State Five-Percent Loan	0.009 million tenge
—outlays to pay state short-term bills	20.0 million tenge
—payment of prizes in the 1992 State Domestic Premium Loan (from the population) and for the conduct of drawings	40.0 million tenge
—refunds of outlays incurred by banks in placing state loans and securities	1.271 million tenge
—one-time compensation for losses to the population due to the depreciation of the population's deposits at the Saving Bank's institutions by way of multiplying their balances as of 1 August 1992 by a factor of 50 for the first R1,000 of the deposit	850.0 million tenge
—payment of compensation amounts (40 percent) for the balances of deposits of the population at the Saving Bank's institutions	15.080 million tenge
—settlements with the population in regard to the payment of balances of the population's deposits at the Saving Bank's institutions as of 1 January 1991	27.456 million tenge
—return of blocked funds which were temporarily borrowed in 1993	216.5 million tenge
—expenditures to pay back to the National Bank the domestic public debt of the government as of 1 February 1994	71.477 million tenge
—payment of the 1993 debt to the Kazakh Savings Bank by virtue of funds used to repurchase the bonds of the 1990 USSR Special-Purpose Interest-Free Loan	9.796 million tenge
—to cover the results of the intrarepublic mutual offset	2,600.0 million tenge
—expenditures to pay back to the National Bank credit extended to cover the deficit of the 1994 budget	2,934.0 million tenge
—payment of interest on credit to cover the deficit of the 1994 budget	4,960.6 million tenge
—expenditures to pay interest on the domestic debt	90.0 million tenge
EXPENDITURES TO SERVICE INTERSTATE ORGANIZATIONS	84.322 million tenge
EXPENDITURES TO PAY BACK STATE CREDIT EXTENDED UNDER INTERGOVERNMENTAL AGREEMENTS AND THE PAYMENT OF INTEREST ON THE USE OF CREDIT	154.871 million tenge
PAYING THE 1993 ARREARS FOR:	9.417 million tenge
—expenditures to pay compensation to participants in the elimination of the accident at the Chernobyl Nuclear Power Station in 1993	1.2 million tenge
—expenditures for the rehabilitation of victims of mass political reprisals	7.0 million tenge
—payment of compensation under the Law on the Aral Area	1.217 million tenge
FOR THE IMPLEMENTATION OF LAWS, total	8,128.18 million tenge
On State Youth Policy in the Kazakh SSR	186.214 million tenge
On Approving the Regulations on Retirement Benefits for Special Merit in Service to the Republic of Kazakhstan	27.48 million tenge
On the Republic of Kazakhstan Procuracy	43.048 million tenge
On the Status and Social Protection for Servicemen and Their Family Members	475.971 million tenge
On Retirement Benefits for Servicemen, Command Personnel, and Enlisted Men of the Internal Affairs Organs, and Their Families	147.694 million tenge
On Republic of Kazakhstan State Decorations	1.39 million tenge
On College Education	28.496 million tenge
On the Aral Area	2,369.091 million tenge
On Social Protection for Citizens Affected by Nuclear Tests at the Semipalatinsk Test Site	4,142.6 million tenge
On the Rehabilitation of Victims of Mass Political Reprisals	706.196 million tenge
GRANTS TO LOCAL BUDGETS	5,920.636 million tenge
TOTAL EXPENDITURES for Section I	75,104.955 million tenge
Section II: Funds for special-purpose financing	
—Fund for the Protection of Mineral Wealth and Reproduction of Mineral and Raw Material Resources	694.499 million tenge

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—Economic Transformation Fund, total	3,438.5 million tenge
of which:	
—for housing policy implementation (10 percent)	343.85 million tenge
including expenditures to generate the Statutory Fund of the Housing Construction Bank	20.0 million tenge
—Highway Fund	1,960.814 million tenge
—State Fund for Facilitating Employment, total	569.108 million tenge
of which:	
—15 percent to extend credit for housing policy	85.366 million tenge
Fund of Support for Entrepreneurship and the Development of Competition	214.721 million tenge
—Environmental Protection Fund	19.161 million tenge
TOTAL EXPENDITURES for Section II	6,896.803 million tenge
Section III. Foreign economic operations	
PURCHASE OF FOREIGN EXCHANGE TO MAINTAIN EMBASSIES AND MISSIONS AND FOR OTHER PURPOSES	10,973.887 million tenge
TOTAL EXPENDITURES for Section III	10,973.887 million tenge
GRAND TOTAL FOR EXPENDITURES	92,975.645 million tenge
Surplus of expenditures over revenues	20,657.606 million tenge
Revolving balance in hand	16.0 million tenge

Decree on Implementation

944K2079C Almaty SOVETY KAZAKHSTANA
in Russian 10 Aug 94 p 3

[“Decree of the Republic of Kazakhstan Supreme Council
‘On the Enactment of the Republic of Kazakhstan Law ‘On
the Revised 1994 Republic Budget’”]

[Text] The Republic of Kazakhstan Supreme Council
RESOLVES:

1. The Republic of Kazakhstan law “On the Revised 1994
Republic Budget” shall be enacted as of the day of publi-
cation.

2. The Republic of Kazakhstan Cabinet of Ministers shall
be instructed to:

- prepare and submit to the Republic of Kazakhstan
Supreme Council for consideration the draft Republic of
Kazakhstan law “On Amending and Adding to the
Republic of Kazakhstan Law ‘On the Tax System in the
Republic of Kazakhstan’” with regard to the introduc-
tion of the tax on gasoline sold at market prices; the local
tax on legal entities which do not have housing on their
balance sheets; proceeds from operations with precious
metals;
- carry out, jointly with the Republic of Kazakhstan
National Bank, the auctioning of short-term securities
(treasury bills);
- review the issue of repealing decisions concerning the
grant of tax and customs duty relief made in contraven-
tion of the Republic of Kazakhstan law “On the Tax
System in the Republic of Kazakhstan”;
- designate outlays on the facilities of the power and
oil-and-gas sectors of the national economy associated
with preparations for the 1994-1995 heating season as

priorities in the course of distributing the monies of the
Economic Transformation Fund;

- envision refunds to fuel-supply organizations out of the
monies of local budgets for outlays associated with the
delivery of liquid and solid fuel to low-income citizens
on preferential terms;
- specify within two months principles for the distribution
of withholdings and grants among the regions of the
republic and submit them for coordination to the
Republic of Kazakhstan Supreme Council;
- review the structure of expenditures of the republic
budget, envisioning all expenditures of republic-wide
significance within it;
- review the issue of the gradual (beginning in the 1994-
1995 school year) reduction in the admission plan of
colleges in the republic (by 20 percent) and their transi-
tion to training cadres on a contractual basis;
- put in order the number of staff in the embassies and
outlays on their maintenance;
- review the issue of omitting outlays on the maintenance
of Republic of Kazakhstan commercial missions abroad
from the 1995 budget;
- develop and submit to the Republic of Kazakhstan
Supreme Council the draft Republic of Kazakhstan law
“On Amendments and Additions to the Republic of
Kazakhstan Law ‘On the Revised 1994 Republic
Budget’” based on amendments and additions pro-
ceeding from its implementation in the [first] nine
months of 1994;
- embark on the development of the draft Republic of
Kazakhstan law “On the Republic of Kazakhstan 1995
State Budget in September 1994,” taking into account
the discovered reserves on the revenue side and the

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redistribution of budget expenditures with a view to social protection for the low-income strata of the population;

—develop procedures for the coordination and approval of interstate agreements for the receipt of foreign loans and submit them for consideration to the Republic of Kazakhstan Supreme Council.

3. The Control Chamber of the Supreme Council shall be instructed to verify the effectiveness of the use of monies of the Fund for Economic Transformation, monies received from or allocated for foreign economic operations, and the use of foreign investment, as well as monies received from the privatization of state assets.

4. The Republic of Kazakhstan Cabinet of Ministers shall take the necessary measures to implement the law "On the Revised 1994 Republic Budget of the Republic of Kazakhstan," as well as bring previously made decisions into compliance with it.

[Signed] Chairman of the Republic of Kazakhstan Supreme Council A. Kekilbayev
Almaty, House of Parliament
14 July 1994
No. 138-XIII

Almaty Budget, Deficit Reviewed

944K2131A Almaty SOVETY KAZAKHSTANA
in Russian 16 Aug 94 p 1

[Article by special correspondent Valentin Mokhnachev: "The Budget Has Been Adopted—Now We Must Find the Money"]

[Text] Almaty—Adopted several days ago by the capital's assembly, the city budget for this year looks like a smaller version of the republic budget. Both suffer from a hefty deficit...

In the meantime, the outlay portion of the budget has not been reduced to the slightest degree. On the contrary. The mayor's office of our capital city had already increased, but then pondered and pondered, and decided finally to keep in place the lowest fares for public transportation in the republic (1 tenge). As in the past, all pensioners without exception are afforded the opportunity to ride free of charge. And, when you add in here the promise of the new mayor, Shalbay Kulmakhanov, to provide free lunches to schoolchildren during the new school year and provide substantial assistance to large families and the needy segments of the population, expenditures are seen to increase greatly.

But perhaps a significant replenishment of the income portion of the budget is expected? Alas and alack, as they say. Many of the capital's industrial enterprises find themselves in a painfully unenviable position, taxes collected from them being intended to cover all the outlays of the adopted budget. For example, heavy machine-building plants, the jewelry factory, and the "Piston" plant are continuing their production output without finding any sales market. They have produced goods valued at 350 million tenge. In addition, two-thirds of the enterprises

stand idle from time to time. Construction volume in the city has been reduced 15 percent from the level of the same period last year. The tax debt producers have incurred amounts to 173 million tenge—no more, no less.

All the same, opportunities do exist for replenishing the city treasury, and they are significant. They abound primarily with the numerous commercial structures able to use any pretext to avoid paying taxes. The majority of the "commercials" do not have cash registers, and the lion's share of their earnings is not credited. The city mayor's office inspected four markets jointly with the tax inspectorate and, in just one day, confiscated from traders hundreds of thousands of additional tenge that had been hidden from taxable accountability. While unpaid taxes in the amount of \$52,000 were found in two casinos.

Substantial reserves for replenishing the city treasury are also to be found with state industrial enterprises. For example, the Almaty Canned Fruit Plant, Rakhat production association, Altyn Diermen production association, and others have successfully been introducing new technologies and augmenting their levels of profitability. Their directors are not waiting for the weather to change and are themselves seeking supply channels and markets for the sale of their production output. This is why the necessity for selecting enterprise directors on a competitive basis is now evident. A determination must also be made of the list of enterprises in need of assistance and for which the bankruptcy mechanism should be applied.

The legislative base with respect to tax collection also requires radical reform. At present it does not stimulate but, quite the opposite, dissuades people from wanting to work highly effectively.

"From every one tenge we have, the state takes away 89 tiyns," Amangeldy Bulikdayev, director of the wood-working plant, stated bitterly during a session of the city assembly. "The enterprise is left with a few miserable crumbs. We are forced to take out loans in order to make ends meet. But the interest rate here is also heavy—300 to 400 percent. In addition, 1 percent of our profit goes to the Fund for Support of Private Entrepreneurial Activity—in fact to supporting our competitors. This is an improper taxation policy at its very roots. Recall the somewhat well-known General Pinochet. He was no economist, did not possess a great deal of common sense. But he prescribed a tax in the amount of 11-13 percent for the industrialists of his country and, as a result, the Chilean economy began to rise like yeast. We too must find an optimal taxation variant. Taking advantage of the fact that Orazaly Sabdenov, chairman of the Kazakhstan Supreme Council Committee for Economic Reform, is present at our session, I ask him to inspect the new Tax Register of the republic in the very near future."

At the same time, it is right now incumbent upon the city tax service to adopt stricter measures with respect to uncovering incidents of tax concealment and to replenish the income portion of the city budget.

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Decrees on Foreign Credits Adopted

944K2114A Almaty PANORAMA in Russian
No 32, 13 Aug 94 p 13

[Unattributed report: "Cabinet of Ministers Adopts Five Decrees on the Attraction of Foreign Credits"]

[Text] Based on decisions of the Commission for Foreign Credits, the Cabinet of Ministers adopted a decree on attracting governmental credits of the Austrian Republic, the Islamic Republic of Pakistan, Poland, the Czech Republic, and the Commission of the European Community. The credits afforded by the Commission of the European Community, in the amount of 30 million ECU, are being directed toward the purchase of medicines. Alem Bank Kazakhstan has been designated the bank authorized to implement this line of credit. The state holding company Farmatsiya will be engaged in selling the medicines and reimbursing the credit amounts. The Ministry of Finance has been directed to monitor the timeliness of financial operations. Two ministries—the Ministry of Industry and Trade and the Ministry of Public Health—are to conclude medicine shipment contracts with the foreign firms that win a specially organized bidding. The \$20 million being issued in the form of credits by the Government of the Austrian Republic is also being directed toward purchases of medical equipment and medicines. The state holding company Farmatsiya and the joint-stock company Medtekhnika have been directed to conclude contracts with the foreign trade company Kazakh Trading House in Austria and coordinate the procedure for settlements and repayment of the attracted credits with the Ministry of Finance. Alem Bank Kazakhstan is the authorized bank in this instance also.

The Government of the Islamic Republic of Pakistan is allocating trade credits amounting to \$10 million. The Ministry of Industry and Trade and the Ministry of Finance will sign the agreement with the foreign partner. The Ministry of Industry and Trade, jointly with the Kazakhstan joint-stock bank Turanbank—authorized to effect implementation of this line of credit, will determine the importing enterprises to participate in implementation of this project, taking their solvency into account. Kazkommertsbank is the authorized bank for credit line implementation with respect to the Governments of the Polish and Czech Republics. The distribution of amounts is the same in each case—\$30 million, \$10 million of which is to be allocated for the purchase of commodities and \$20 million—for the acquisition of equipment and technology. The Ministry of Industry and Trade has been directed to effect fill of the commodities credits for purchases of consumer products and medicines. The National Agency for Foreign Investments of the Ministry of Economics will handle the investments portion of the credits. The Ministry of Finance has been directed to issue guarantees of the Kazakhstan Republic with respect to all attracted credits.

Directive Covers Business Crisis, Exports

944K2114B Almaty PANORAMA in Russian
No 32, 13 Aug 94 p 2

[Unattributed report: "Prime Minister Issues Directive on the Adoption of Measures To Extricate Enterprises From Crisis and Increase Export Production Output"]

[Text] Prime Minister Sergey Tereshchenko has issued a directive calling for a number of measures to coordinate the efforts of metallurgy and chemical enterprises with those of enterprises of transportation, energy, and the coal industry, to extricate these enterprises from their crisis, and to resolve issues related to reciprocal accounting between related sectors of the economy and increased export production output.

To this end, it has been decided to establish permanently functioning working groups (six in number) and a panel of experts. The working groups are endowed with the right to introduce proposals regarding enhancement of the effectiveness of operational management of sectors of the economy. Responsibility for overall direction of the working groups and panel of experts is entrusted to Minister of Industry and Trade Vyacheslav Kostyuchenko.

The Ministry of Industry and Trade, the Ministry of Transportation and Communications, and the Ministry of Energy and the Coal Industry have been directed, along with other concerned ministries and departments, to form interdepartmental commissions on tariffs, reciprocal accounting, and commodity credits within one week. These commissions are authorized to adopt decisions: on price coordination with respect to freight shipments and energy supply for enterprises engaged in export production output; on examination of the status of nonpayments of dependent enterprises and the conduct of reciprocal accounting among them; and on the attraction of credits for specific programs with the aim of extracting enterprises from crisis.

The above-mentioned ministries are also responsible for drawing up and introducing proposals to revitalize the financial condition of commercial banks that service enterprises engaged in export production output.

In addition, these ministries are directed to suspend shipments in August-September 1994 of export production output effected through barter licenses that envisage deliveries of consumer goods and equipment for facilities under construction.

The Ministry of Industrial Trade, jointly with the Ministry of Economics, is authorized in August-September 1994 to redistribute export quotas.

Irishev on International Credit, Banking

944K2128A Almaty KAZAKHSTANSKAYA PRAVDA
in Russian 16 Aug 94 pp 1-2

[Interview with Eximbank's Chairman of the Board Berlin Irishev, by KAZAKHSTANSKAYA PRAVDA correspondent Aleksey Petrovskiy; place and date not given: "Foreign Credits Are a Boon for Those Who Are Capable of Using Them Skillfully"]

[Text] Last week a presidential decree was signed on the creation of the State Export-Import Bank of the Republic of Kazakhstan. The creation of the new bank means stronger state regulation of the process of attracting, utilizing, servicing, and repayment of foreign credits being received or guaranteed by the Republic of Kazakhstan, as well as

stimulating the development of exports of domestic products. Berlin Irishev, an organizer of banking business and an expert on Western banking system well-known in the republic, was appointed the Eximbank's chairman of the board.

[Petrovskiy] Berlin Kenzhetayevich, in keeping with the edict, the Eximbank is the legal successor of the Alem Bank of Kazakhstan with respect to all its international obligations stemming from credit obligations signed in the name and on behalf of the republic government. Does it mean that the Alem Bank of Kazakhstan did not carry out properly its duties with respect to international obligations?

[Irishev] I want to point out right away that the name of the Alem Bank of Kazakhstan is mentioned in the edict only because it is currently the sole borrower named in medium-term credit agreements with 15 countries of the world. From the viewpoint of international standards, it was the first bank of the Republic of Kazakhstan. And this was achieved in just three years of operations.

As the flow of credit to Kazakhstan increases, this activity becomes exceedingly important. At this stage a need arises for a centralized regulation of the entire process through the newly created state Export-Import Bank.

At this juncture, I would like to emphasize once again that from now on all foreign credits coming to the Republic of Kazakhstan under the guarantee of its government and regardless of their sources (whether it is a credit from a country or an international financial organization) will go only through the Eximbank Kazakhstan.

The opening of each credit line is preceded by a lot of work on both sides. The very fact of opening a credit line means showing great confidence in the borrower state. You certainly would not loan money to a person you do not trust. This year, in the course of President N. Nazarbayev's official visits, such confidence in Kazakhstan was pronounced on the part of the largest countries in the world—the United States, Japan, England, and U.S. and Japanese banks.

[Petrovskiy] Will not our economy drown in this river of credit? The borrowed money has to be repaid, and with interest, and where is the guarantee that the dollars will not sink into the quicksand as it happened in the past with multimillion ruble infusions in the economy?

[Irishev] As I already mentioned, the signing of general credit agreements is preceded by serious preliminary work on both sides. Foreign creditors have a vital stake in not having the money they give "sink into the sand" but produce good returns. That is why their insurance companies and the lender bank directly subject the borrower country to a comprehensive expert evaluation. They take into account the political climate in the state, the international rating of its leader, the qualitative composition and stability of the government; they study the scale and the state of the market and relative costs.

As is known, foreign credits are repayable and carry costs. This is expensive money and taking it must always be

economically justified, that is, it must be taken only to finance projects that will provide returns in hard currency or the projects whose implementation will result in reducing hard currency expenditures. The only exception may be pharmaceuticals, some varieties of food products (whose production is not possible in the republic for objective reasons), and urgently needed infrastructure. The procedure of selecting priority projects for Kazakhstan must be clearly defined and preclude dissipation or ineffective use of the borrowed money.

Distribution of foreign credits between Kazakhstan's economic subjects by the criterion of real hard currency recoupment from the projects is one of Eximbank Kazakhstan's main tasks.

If everybody involved realized the need for a careful preliminary expert evaluation of projects, it would provide an ironclad guarantee that the dollars would not "sink into the sand." By the way, organizing and conducting expert evaluation of projects is one of the functions of our bank.

In addition, there also exists the so-called foreign debt limit, which is commensurate with the volume of exports and future financial abilities and which puts a ceiling on the risk. We expect the parliament to approve this limit in the fall. This, in principle, precludes a priori the danger that Kazakhstan economy would "drown."

When a concrete borrower-importer defaults on the repayment schedule of an individual credit agreement, this automatically puts in doubt the government's ability to carry out its international obligation to foreign creditors in a timely manner. In these conditions, the international image of the state suffers. Economic losses follow in the form of higher insurance premiums, imposition of stricter terms of issuing credit to the republic, and payment of considerable penalties.

[Petrovskiy] Are we facing serious problems in this respect?

[Irishev] Actually, they are already upon us. And one of the reasons is the formal way of selecting the projects to be financed through foreign debt that existed in the past. And the most important part of it is that there was no coordination between the debt repayment schedule with the expected monetary income—the so-called "cash flow."

Unfortunately, many managers of borrower enterprises show financial irresponsibility toward their obligations, remaining under the illusion that expenses on servicing and repayment of debt should be carried by someone else—anybody except them.

[Petrovskiy] So it looks like there is some ground to the apprehension shared by some people in the society toward foreign credits? The dollars—or marks or pounds—will disappear without a trace, they say, while a sovereign state will find itself in economic bondage to foreign creditors.

[Irishev] When some people consider the government course on attracting foreign credits a mistake in general, I completely disagree.

It is well known that any state, even an economically developed one, which is aiming for continuous dynamism, cannot count on success without foreign credits and investment. As to our economy, it is in a unique situation—the structure of the economy is completely lopsided; this is expressed in the absence of high-technology processing industry, while at the same time we have the natural riches. One can activate them in this extremely critical state of the national economy only by boldly and actively attracting credit from the outside. Without this help, it will take us too long to reach the goal; gaining time is extremely important for us.

The fact that Western credits are offered by creditors in conjunction with projects already preclude their use for purposes other than intended. It is another matter that projects must be seriously evaluated and meet all the criteria of economic expediency.

[Petrovskiy] To conduct expert evaluation of projects, we probably bring in Western specialists. Where is the guarantee that they will be objective and independent in their conclusions?

[Irishev] It is true that we cannot manage without bringing in foreign experts. On top of everything, they have to be paid for this work—between 1.5 and 2 percent of the project's cost. Naturally, the experts we invite are here to protect the interests of our state by comprehensively and scrupulously studying the financial, technical, technological, ecological, legal, and other aspects of the project.

A conscious dishonesty in the project analysis is not possible, since, in the West, the firm's reputation is valued more than a gain from participating in a dishonest deal. By an unwritten rule, one does not invite for expert evaluation a bank of a legal service of the country whose firm is the author of the project.

From now on, since the aforementioned presidential edict, organizing projects' expert evaluation is the Eximbank's task. We are already working with major world banks and companies that are leaders in this area.

[Petrovskiy] Are we always happy with the results of the evaluation?

[Irishev] It happens sometimes that we make critical comments or even send the project back for additional work. For instance, on 29 June of this year, in Austria, we discussed the results of the expert evaluation of the Karmetkombinat [Karaganda Metal Combine] reconstruction project—setting up steel-smelting production. This project, whose total cost is \$560 million, will be financed by the export-import banks of Japan, Turkey, and Austria. A Turkish company undertakes the construction part of this project, while the technology and equipment will be delivered by Japan and Austria. At this stage of the evaluation, we have not received any proposals regarding reducing the risk for the Kazakhstan side or lowering the cost of the project. We criticized the results of the evaluation, which essentially boiled down to protecting the interests of the foreign partners. We insist on conducting an additional evaluation. By the way, choosing a company

to conduct an evaluation on the recommendation of its Western partner was a serious mistake.

Another example. Some time ago, our subsidiary enterprise in London—Alem International—organized an expert evaluation of the project for production of copper wire at the Balkhash copper-smelting plant, in the course of which serious shortcomings were uncovered. In particular, the contract envisaged production of wire of a diameter that is not in particular demand in the world market. But we intend to sell some of our output abroad. Therefore, we proposed to change the technology. Moreover, we insisted on sharing the risk and signed with the company that will deliver the technology an additional agreement (the so-called "buy-back"), whereby, over the period of the entire term of debt repayment, it will purchase from the plant 30 percent of its output at world prices. We also had critical comments on ecological problems and the project cost.

[Petrovskiy] Does it mean that Western banks and companies do indeed attempt to "cash in" on our inexperience in foreign economic affairs?

[Irishev] Insufficient experience of Kazakh exporters and importers in organizing and conducting business on the world level is a big problem. Foreign trade contracts they sign would not withstand serious criticism. A comparative study of a number of international contracts shows that the balance of advantages in signing them is in favor of the Western suppliers. The terms Kazakh enterprises are willing to accept usually are unacceptable for Western businessmen. To a certain extent this is, of course, the result of a limited number of offers on the part of those willing to invest, but overall this state of affairs is alarming.

In working on projects, our compatriots pay more attention to technological aspects rather than commercial and business ones. Meanwhile, it is inarguable that implementation of projects must ensure export of the output for foreign currency in the volume sufficient to repay the loan plus interest within the specified timeframe.

So far, unfortunately, there is not enough understanding of real difficulties of selling in a competitive market and responsibility for timely repayment of debt.

[Petrovskiy] Is there some or other credit line already producing a return through the implementation of a specific project?

[Irishev] Three years—and this is the age of our state's foreign economic independence—is not enough to speak of a real effect. The fastest return will come from the objects of infrastructure. Two hotels being built in Almaty by an Austrian company and a Turkish company are in a stage of completion of construction-erection work. A telephone network is being modernized in 10 oblasts of the republic within the framework of individual credit agreements with a German banking consortium. The reconstruction of the Aktyubinsk TETs [central heat and power plant] will provide electric power supply for the entire West Kazakhstan region. A very large spirits production plant is about to be started in Kostanay. In the works are the

projects of large oil refineries in Atyrau and Aktau, a project to produce paper in Taldykorgan, leather goods in Pavlodar, and a flour mill in Petropavlovsk.

[Petrovskiy] How is the Eximbank Kazakhstan different from traditional export-import banks, for instance, in Japan, the United States, or Turkey?

[Irishev] Although these banks are called the same, they differ in purposes and directions of activities. While in the developed countries, the purpose of an export-import bank is to stimulate exports, we have to approach this task in the future by stimulating today imports of new technologies and equipment. And, while we are talking today about expanding the export potential as a strategic task, it had to be achieved not through quantitative factors but through increasing the value of the final product made from our resources.

We are forced into this by the difficult geographic situation in terms of transportation. We have already encountered today the situation that in many instances transportation costs exceed the cost of extraction and production. And in this respect our bank's tasks are considerably broader.

[Petrovskiy] So, Berlin Kenzhetayevich, the Eximbank headed by you was set up to boost the work in the sphere of foreign credits, and you are urging us not to be afraid of it, right?

[Irishev] In a qualitative aspect, I would define the main task of the new bank this way: "Not making debts for the state." We can only agree to take on debts that will pay back through concrete projects and will serve as a catalyst in the economic upturn.

Attracting outside means for these purposes is useful not only in an economic, but also a political sense. The economic aspect, to summarize it briefly, consists of creating real financial preconditions for structural transformations in the economy and building the infrastructure necessary for stimulating international business in our republic.

As to political pluses, there are several. First, it raises the international rating of the republic as a state with a favorable investment climate. The success of the first foreign companies causes a chain reaction and frequently is a harbinger of subsequent direct investment. This is already a qualitatively new stage. The level of the presence of foreign capital in the country is looked at by potential creditors and investors as a precise barometer of the business climate.

Second, relations within the framework of credit agreements are accompanied by the emergence and intensification of qualitatively new relations between Kazakhstan and creditor states. Along the economic interest, creditor states assume a political responsibility for the development of the country in whose economy they made a foreign currency investment. In the international practice, it is called the "umbrella effect" (a political umbrella). And this is an important factor in strengthening the strategic positions of a young state such as Kazakhstan.

Today the republic is the object of close attention and study on the part of potential creditors. The basis for such interest is a combination of a colossal natural potential and the political stability in the state. All of this undoubtedly makes Kazakhstan attractive for a large-scale foreign investment. And we have to use this historic chance to restructure and revive our economy in the interests of the whole society.

Foreign Banks Prepared To Grant New Credit

944K2063A Almaty PANORAMA in Russian
No 31, 6 Aug 94 p 1

[Unattributed report: "A Number of Foreign Banks Announced Willingness To Provide New Credits for the Republic"]

[Text] The U.S. Export-Import Bank (Eximbank), through Vice President Moran, announced that the bank's board of directors is planning to provide to Kazakhstan long- and short-term loans and guarantees on the sovereign risk basis.

Long-term loans will be provided for the total period of no more than seven years, and medium-term loans, for the period of up to seven years or less.

At the same time, the United Export-Import Bank of Russia confirmed that it is ready to open a credit line for the Kazakhstan Government in the amount of \$300 million, to be issued to organizations and enterprises participating in interstate programs between Kazakhstan's Ministry of Industry and Trade and the Russian Federation Industrial Policy Committee, but on the condition of agreeing on the technical procedures of loan repayment.

In addition, the republic's private entrepreneurs can count on financial support from the American Central Asia Foundation, whose executive director, Steven Solarz, intends to visit Kazakhstan on 11-13 August. He intends to discuss priority directions of the foundation's activities in Kazakhstan in the area of developing small- and medium-size private business, compile a list of private enterprises and joint ventures, as well as consider the questions of opening the foundation's representation in Kazakhstan.

Indebtedness to Russia Reported

944K2063B Almaty PANORAMA in Russian
No 31, 6 Aug 94 p 1

[Unattributed report: "Kazakhstan's Debt in Russian Central Bank's Clearing Center Amounted to R12.8825 Billion on 1 June"]

[Text] As is known, in keeping with the agreement on establishing direct correspondent relations between contiguous oblasts of the two states—signed between the Central Bank of Russia and the National State Bank of Kazakhstan in Omsk in January of last year—subcorrespondent accounts were opened by oblast branches of both banks in clearing centers of the number of Russian and Kazakh oblasts.

By the results of mutual clearing, Kazakhstan's debt (the debit remainder) as of 1 June 1994 in the Russian Central

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Banks' clearing center amounted to R12.8825. Kokshetau Oblast owed the most—R2.221 billion. It was followed by Uralsk Oblast—R2.1326 billion, North Kazakhstan Oblast—R1.763 billion, Pavlodar Oblast—R1.1725 billion, Kostanay Oblast—R1.5196 billion, Atyrau Oblast—R1.9225 billion, Aktyubinsk Oblast—R973.5 million, East Kazakhstan Oblast—R701.3 million, and Semipalatinsk Oblast—R341.8 million.

At the meeting of the Central Bank and National State Bank leadership, which was held in Moscow in July, an agreement was reached that comprehensive measures will be taken with respect to the debt. As one of the options, it is currently proposed to repay the debt out of state credits provided to Kazakhstan by the Russian Federation Government in the amount of R150 billion.

Sakha-Yakutia Seeks Increased Investment

944K2064A *Almaty PANORAMA in Russian*
No 31, 6 Aug 94 p 7

[Interview with Vasily Zakharov, head of the Sakha-Yakutia trade representation in Kazakhstan, by A.S.; place and date not given: "Sakha-Yakutia Strives To Increase Its Investment in Kazakhstan: In 1992 the Government of This Country Invested \$1.7 Million"]

[Text] The Republic of Sakha-Yakutia is today the only Russian Federation component which has its own trade representation in Kazakhstan. Its head, Vasily Zakharov, answered PANORAMA's questions.

[A.S.] What legislative acts regulate the existence of your trade representation and what was the Russian federal authorities' reaction to the fact of its establishment?

[Zakharov] There are several documents that provide the legislative base for the existence of our representation. First and foremost, the Federation Treaty and the friendship and cooperation treaty between Kazakhstan and Russia. The Russian laws that regulate the relations between the center and the Federation components envisage the right of the latter to conduct independent foreign economic activities. Our representation's charter documents went through expert evaluation at the Kazakh MFA [Ministry of Foreign Affairs] and Russian federal organizations, and nobody raised any questions. The Russian Federation Embassy in Kazakhstan helped us, and assisted with our accreditation in Almaty. So we do not have any disagreements with federal authorities. Sakha-Yakutia's trade representations operate on an identical basis in Tokyo, Kiev, and Riga.

[A.S.] Mr. Zakharov, what are the functions of the Sakha-Yakutia's representation?

[Zakharov] Briefly, they boil down to this: creating conditions for fruitful trade between Kazakhstan and Sakha-Yakutia. The trade representation collects information on Kazakhstan's market, arranges exhibitions and expositions, facilitates deliveries of goods, and studies the potential for investment.

[A.S.] Is there a potential for reciprocal investment?

[Zakharov] Yes, we have experience in this sphere. In 1992 the Government of Sakha invested \$1.7 million in Kazakhstan. This money was used to purchase Dutch production lines for packaging feed concentrate and flour. They are installed in Temirtau and Semipalatinsk. The expected output is up to 25,000 tonnes of feed concentrate, which will be exported to Yakutia. Flour will be sold in Kazakhstan's market. The NPO [science and production association] Yakutalmaz invested money in the development of a sovkhos in Taldykorgan Oblast and a local fruit-canning combine. We are now getting deliveries of the output—canned food, baby food, sausages, and marmalade.

We want to develop cooperation between jewelry producers. Both Kazakhstan and Yakutia have excellent capabilities for development of this kind of production. There is interest in Sakha toward Kazakhstan's vegetable processing industry, production of sheepskin items, and a number of other spheres.

Unfortunately, Yakutia's investment in Kazakhstan currently is insignificant. We do not have foreign investor status, and besides, our investment is insufficiently protected. At the same time, many Kazakh entrepreneurs come to us with interesting proposals.

[A.S.] Does this mean that economic relations between Kazakhstan and Yakutia are going through a period of stagnation?

[Zakharov] There is no stagnation. Considering the geographic distance between our regions, one may say that our cooperation is developing well. There are contacts through nongovernment channels, at the level of commercial structures. We are getting ready to open a store that will sell Yakut goods in Almaty; retail space has already been allocated. Apparently in August a decision will be made on deliveries of Yakut tin to the Karaganda Metal Combine, while the Kazakh Jewelry Trade Administration and the Kazakh Union of Consumer Cooperatives will become the main purchasers of our jewelry. In addition, we are currently readying a number of projects that will be implemented perhaps by attracting credits from a third party. But in this case, Kazakhstan Government guarantees will be needed.

In my opinion, the Governments of Kazakhstan and Sakha-Yakutia should facilitate the development of mutual trade by way of establishing a number of preferences. This will help to increase the volume of trade, while preferences in the end will be made up for many times over by increased profits.

Collaboration With Swiss Continues To Grow

944K2064B *Almaty PANORAMA in Russian*
No 31, 6 Aug 94 p 7

[Unattributed report: "Offices of More Than 20 Swiss Companies Open in the Republic"]

[Text] On 29 July Minister of Foreign Affairs Kanat Saudabayev met with the Switzerland's Honorable Consul in Almaty, Mr. Antonio Corbi.

Mr. Corbi gave high praise to the state of Kazakh-Swiss cooperation.

In addition, Mr. Corbi informed Mr. Saudabayev of the upcoming visit to Almaty of Jean-Pierre Ritter, Switzerland's extraordinary and plenipotentiary ambassador to Kazakhstan, which is planned for the coming fall.

Cooperation between Switzerland and Kazakhstan continues to develop on the basis of documents signed in May 1994: agreements on trade-economic cooperation and protection of investments.

Mr. Corbi said that more than 20 Swiss companies have already opened representations in the republic.

Mr. Saudabayev expressed hope for the further development of Kazakh-Swiss relations and emphasized how important the cooperation of our states is in the banking system sphere, including training of skilled personnel, as well as in the production of pharmaceuticals.

Plant Official on Low Industrial Output

944K2036A Almaty KAZAKHSTANSKAYA PRAVDA
in Russian 5 Aug 94 p 2

[Article by Yuriy Mukhin, deputy director of the Yermak Ferroalloy Plant: "Who Can They Sell Us to Tomorrow, and for How Much?"]

[Text] Kazakhstan's industrial production dropped by another 30 percent in the first quarter of this year. Production of the Yermak Ferroalloy Plant fell by 27 percent. This is at a time when there are no objective reasons for it—we have had plenty of buyers. More than 75 percent of our output goes to the developed West, and they have money there. And even from Russia and Ukraine we have learned how to return the money needed for our raw material and equipment one way or another. Nevertheless, the plant is operating at 50 percent of its capacity. Why? For a couple of reasons.

First, any enterprise has fixed capital (buildings, equipment, machinery) and working capital—the money with which it obtains raw material, energy, and other materials until it receives the earnings for its output. In 1992, after beginning price liberalization, the governments of CIS countries removed the working capital from enterprises by devaluing it. This money actually remained in Russia.

But how do we operate without money? How do we pay for the raw material and energy? They are saying everywhere that enterprises are insolvent. Are we bankrupt? No! According to its accounting balance, the Yermak Ferroalloy Plant had several million in profit in the first quarter, but...there is not one mention of an account where there are only debts. And now everyone is demanding his money and striving to stop us. And they are stopping us!

From the time our product is shipped until the time we receive the money for it, three or four months elapse. But the power generation workers demand their money right away. And the railroad managed to get the right from the government to prepayment a month in advance plus a 2 percent fine for a day's delay, as well as extravagant fines for layovers by freight cars, which the railroad itself does

not provide, again because of the lack of prepayment. As a result, the plant has been clogged with freight cars since the beginning of the year. However, other partners are also helping out the railroads in this matter, but it is no easier for us because of this.

We are a state enterprise. So doesn't the state, as our boss, really understand that we cannot operate without working capital? Give us a loan for output that has been shipped, with interest, but give it to us firsthand, not to the banks. After all, we are the ones bringing in income for the republic, not the banks!

We will at least pay our creditors in Kazakhstan with this loan and receive a respite. Our partners—the power generation workers, railroad employees, and construction workers—will also breathe easier, by the way. But imagine what will happen if they stop us because of our nonpayments... Payment for our products will come in four months and all the creditors will be satisfied, our profit will remain in the bank, but the plant will cease to exist, and Kazakhstan will not find the money to restore it. And no one will need the railcars, or the energy, or the labor of construction workers. The people who sell us all this also live on this money; they will live at the expense of the producers that are left, and then they will bury them as well.

The second problem means losses of tens of millions of dollars for Kazakhstan. Imagine this: Industry is stopped, there is no one in the republic to sell it to, and the traditional buyers in the CIS have no money, but a buyer is found in other, more distant countries, as we now say... Far from it. We have to go to Almaty to ask the officials to authorize us to trade. This kind of arrangement does not exist in any country in the West. There the government gives its authorization to sell only what may constitute a threat to the state—weapons, radioactive materials, and the like. But put yourself in our officials' place... If they begin authorizing everyone to trade, the question will arise after a period of time: Strictly speaking, what are you needed for, fellows? And you will be laid off. Consequently, you should not give authorization to trade, and you can find a million reasons for the ban.

A specific example. We have one firm that buys a small amount, ships a product for a short distance, and its expenses are not high. For this reason, we are "squeezing out" of this buyer a price of \$610 dollars per metric ton, knowing that it is in a position to pay it. Another firm buys a large amount and ships it to the United States, and its expenses are high. It cannot set a price of more than \$585. Once again, put yourself in the place of the official in charge of licenses. If you give us your authorization to sell at \$585, you will be accused of bringing a financial loss to Kazakhstan—you have authorized a sale at \$585 while others have been paying \$25 more. The charge is no laughing matter. Consequently, you will not issue the license. What is the plant to do? One of two things: Either shut down or sell to the first firm at \$585 so that formally everything is in perfect order and all the buyers have the same price. They have been licensing trade and production

for three years, but no one can explain clearly why Kazakhstan is incurring huge financial losses from such licensing?!

Another example. Almaty is not only in charge of licenses, but also quotas. That is, production is declining, but officials are worried that no one has sold more than they stipulate. If there are no quotas, they do not issue licenses. Now six months have already passed, but there are no quotas for Russia yet—Almaty is too busy to concern itself with this. And no one is worried about when we will begin in earnest to trade with Russia.

The government has given the Zhambyl Phosphorus Plant money to develop the production of silicomanganese from Kazakhstan ores. We have been trying to help. But Zhambyl has managed to spend the money without us, and without obtaining the silicomanganese. They did not give us money for this, but our specialists were able to obtain the silicomanganese first in one furnace, and now in the second one. But who do we sell it to? We have supplied the Karmetkombinat and other domestic consumers and we need to sell to Russia, where they are seizing silicomanganese with both hands, but there are no quotas yet!

This year is a masterpiece of scandalous practices. At the beginning of the year, Kazakhstan's leaders traveled abroad to ask for money. They did not leave instructions on how to trade in 1994. A month and a half ago our plant, clogged with output, had no licenses or money at all. I think that we irretrievably lost at least \$7-9 million, not taking the financial losses from fines into account. But in Almaty they are absolutely calm, only wondering occasionally: "Why is your production declining and your income dropping?"

They will say to me: Why write about this in the newspaper? Go and complain, explain, and prove your case to the leaders! Why do you always cry in the newspapers? You have to work! All right, but where do we go? In order to understand how hard it is to answer this question, I consider it necessary to mention what Pavlodar industrialists (and not only in Pavlodar!) are saying in their narrow circle.

Last fall and winter the name of our plant could be encountered in many newspapers. To put it briefly, this involved the theft of foreign currency and rubles at the plant. The excitement of a criminal case was reported. Proceedings were really instituted and the case is still being conducted. However, by the beginning of December the financial audit by the procurator's office was completed without any traces of a theft. Then the searches were continued in depth and breadth. For example, to determine whether the plant managers violated laws of the USSR when its employees were sold Zhigulis in 1991. The investigation has been under way for eight months, replaced by seven months of continuous checks by the tax inspectorate, the MVD, Kazakhstan National Bank, the Supreme Council Control Chamber, and others. A natural question arises: What is all this for?

The first version—to replace the director for a person wanted—does not apply. The plant director is 63 years old,

and few people know what he looks like, so he can be easily sent off on a pension without any fuss. The second version is linked with the name of A. Zhabagin, a deputy premier of the republic. When he moved from his position as head of administration in Pavlodar Oblast to the government, it coincided with the arrival at our plant of the first investigation teams. The investigators did little to conceal the fact that they had to find compromising material on Zhabagin, and a criminal case was opened on the plant's business relations with the Puls and Ansar firms, which were previously under the control of the current deputy premier. The inspectors of tax organs, including the Control Chamber of the Kazakhstan Supreme Council, drew conclusions to cast dirt on Zhabagin. We thought that some group in the echelons of government was conducting a struggle against Zhabagin. It turned out that far from everything was that simple. Over 90 percent of the world's reserves of chromium are in Kazakhstan and southern Africa. Kazakhstan's chromium sector—the Don Mining and Concentration Combine and the Aktyubinsk and Yermak ferroalloy plants—constitutes a stable and permanent source of income for the republic. But in order to increase the income, these enterprises combined and an organization to smelt all chromium ore in Kazakhstan are required. Allowing foreigners here is equivalent to letting them control the state's reserve of gold currency.

How surprised we were when we found out that they plan to sell the Yermak Ferroalloy Plant to foreigners through an "individual privatization project." And our competitor from South Africa is clearly seen behind these "foreign investors"... Essentially it is precisely the one to whom they are planning to sell us. All this is being done behind the back of the plant and the Ministry of Industry.

Just how powerful the forces behind this decision are can be judged by the fact that privatization of the Yermak Ferroalloy Plant has not been provided for in the years ahead by the national program. And suddenly there was a tender assigned as of 20 May this year. The power of the forces in motion may be judged as well by the fact that some American firm does not feel shy about saying that buyers will be found now that there is a "historically low" price for the plant. That is, foreigners will not be presented with a chance to purchase the plant more cheaply than now.

So the plant's employees are wondering if the continuous checking of the plant is some maneuver to divert attention. After all, if the plant is compromised, it would explain the rush to sell it. But this is not all.

The "Korean" trail appeared as well.

I wrote at one time that it was extremely important for Kazakhstan to establish a national company to unite the entire chromium industry. All the managers of the chromium industry, with the support of the ministries responsible for them—the former Ministry of Industry and the Ministry of Foreign Economic Relations—appealed to the president on this matter. Without success. Both the proposals and the analytical memoranda vanished without a trace in the president's staff. And instead of a unified company, the Aktyubinsk Ferroalloy Plant and the

DonGOK [Don Mining and Concentration Combine] were transferred to the well-known KRAMDS [expansion unknown]—the base for the group which I arbitrarily call "Korean." Although the KRAMDS has picked up several dozen production facilities in the republic, there are innumerable problems with them, but the chromium enterprises are still producing income and in this sense they are a tasty morsel. By the way, our Aktyubinsk colleagues have informed us that before they "joined" the KRAMDS they had also been racked by commissions and inspections. In this sense, it is advantageous to depict our plant as incapable.

But if there had not been good fortune, bad luck would not have helped. Apparently another powerful person entered the struggle against the "Korean" group. The proposals on the unified national company Khrom, which we ourselves had forgotten about, came to light in the president's staff, to our surprise, and the Ministry of Industry's surprise—according to our information, he signed an edict on its establishment and taking the DonGOK and the Aktyubinsk Ferroalloy Plant out of the KRAMDS. But...the edict was not published. After the president signed it, it went to a group of translators to be put into the Kazakh language; it was lost at first, then they returned it to the president, who annulled his decision...

And you tell us to resolve the specific problems of the plant's economy! Whose?! All these groups are not advertising themselves. The domestic industrialist today is a person in a dark room who is hit from all sides, and he does not even know who is striking the blows. For this reason, I think it is also necessary for industrialists to appeal to the public.

Nazarbayev's Eurasian Union Project Viewed

944K2130A *Almaty SOVETY KAZAKHSTANA*
in Russian 16 Aug 94 p 2

[Article by Professor Abdesh Kalmyrzayev, doctor of philosophical sciences: "Eurasianism and the Eurasian Union: Thoughts on N. Nazarbayev's Draft Concerning the Formation of a Eurasian Union of States"]

[Text] Almaty—Following the publication in the press of this draft, the idea of Eurasianism and questions of the Eurasian Union have begun to attract greater attention on the part of the public at large. These two concepts are frequently seen as being almost identical or as ensuing each from the other. If we look in somewhat greater depth, however, the author of this article believes, these opinions are not entirely accurate....

EURASIANISM is not a geographical concept and not the name of a continent where Russia or the former USSR extended. It signifies an ideological current whose ideologists were P.N. Savitskiy, N.S. Trubetskoy, L.P. Karsavin, G.V. Florovskiy, and others. Eurasianism, as an ideological current, emerged in the 1920's, after World War I and the October Revolution.

Russian emigres and refugees overseas resolved to save Russian culture from Bolshevism. Eurasian ideology attempted to substantiate the independence, originality,

and distinctiveness of Russian culture in the face of Western culture. The Eurasians deduced everything Russian not from a European root or a purely Asian, steppe source. They considered themselves the continuers of the cause of the Slavophiles and flatly rejected cultural and historical "Eurocentrism." In their opinion, the Russian world and Russian spirituality was a new phenomenon. Eurasianism regards it as a blend of ancient Hellenism and Byzantinism and puts a particular emphasis on Asia and the Asian component of Russia.

The Eurasians harshly criticized Peter I for his Westernism and reproached him with having destroyed the national culture and traditional tenor of life of the Russians. Eurasianism believes that Russia is not a successor of European cultural development for it represents a distinctive combination of European and Asian vital elements. The Russian soul and culture cannot be known without attention having been paid to the role of the Asian element in the vital process of Russia. Russian culture contains within it the features of a clearly expressed national distinctiveness that does not fit within the framework of all-European vital development.

Inordinately enthused with emphasizing the dual nature of Russian culture, the Eurasians flatly denied in the national cultures aspects common to all mankind. They believed that there is no general culture nor can there be, there is only a number of individual cultures lacking features in common.

In a word, Eurasianism is a multidimensional, contradictory current incorporating both positive and negative features. The Eurasian self-awareness today is notable for the fact that when the continent is de-integrating on a religious, national, class, and other basis, it is reminding the present generation that the peoples of the post-Soviet space have much in common. They have traditionally taken shape as a consequence of one geopolitical space with a similar mentality, kindred spirit, and related culture, that is, as peoples historically condemned to good-neighborliness and close intermingling. The ideology of Eurasianism is suggesting once again to people of the 21st century that discreteness and the separatism syndrome are not to the benefit of the peoples of Eurasia, which have taken shape historically as a multifaceted powerful crystal under the impact of nature itself and age-old ordeals.

It was not fortuitous **IN THIS CONNECTION** that the Kazakhstani leader put forward his concept concerning the creation of a Eurasian union of states. Paramount in this unification is the idea of Eurasianism, which does not conceive of the foundation of Russian statehood without the factor of the East, the Asian mentality, and Eastern conciliarism. Although Eurasianism and the Eurasian Union are different concepts, one being an ideological current, the other, a structural political institution endowed with mechanisms of power and rights of control, adjustment, supervision, and regulation. But there is between them an invisible thread of consolidation spun by historical experience and the complex fate of the peoples. Whence the name of the union itself is justified.

Everyone understands that any artificial spurring and compulsion to integration, without telling arguments and objective conditions, is doomed to fail in advance. For this reason the initiative of the president of Kazakhstan concerning the lifting of the plank of integration to a higher level than the CIS is essentially a humane and justified action. The president observes that, following the disintegration of the USSR, the Commonwealth of Independent States has performed a positive role in the adjustment of interstate relations. It has, in fact, become a center and legal institution for political consolidation and of the search for optimum versions of a solution of interstate problems.

But despite the active diligence of the supporters of the CIS, this structure is still producing few results in an intensification of the integration process; the influence of this institution on the real life of society is already felt to be inadequate. Following recognition of this truncated state of the rights and possibilities of the CIS, N. Nazarbayev presented his draft on the creation of a new Eurasian union of states. It is further justified both as a search for a new form of integration and as an aspiration to the more efficient satisfaction of the growing popular will to unification and harmony. And it does not have the appearance of a political game, as individual politicians are categorizing it.

As a whole, N. Nazarbayev's initiative has evoked in politicians and the public at large an ambivalent response. This is natural. People have experienced several forms of integration, but none of them has yet proven sufficiently flexible and viable.

A certain section of the populace and politicians is made leery by the fact that while there is still one integration formation—the CIS—another, whose fate is unknown, has been ventured in parallel. This apprehension is getting the better of many people.

In my opinion, the purpose of the union is a further intensification of the integration processes providing for a strengthening of stability and security and socioeconomic modernization in the post-Soviet space. A noble purpose, it proceeds from the good intentions of alleviating the agonizing segment of the path during the transition to a new economic system. But proclaiming the goal is only half the problem, its realization in practice is the main thing.

A current opinion is that without regard to the mentality and historical singularities of the post-Soviet states, the transference onto them of the structures and formats of administration of the European Union would hardly be justified. A new union of sovereign states differing fundamentally from the European countries requires a different, exceptional approach.

Of course, it is not unarguable that N. Nazarbayev is proposing a new union not on the base of the former union but in parallel with it. We need to think about this version again and again from the viewpoint of optimality. The heads of state would be rushing from one meeting to another. Hardly having had time to adopt a decision at one council, it would be necessary immediately to tackle

another. It is not known what kind of decision from the two bodies would be of a priority nature. It would not be inappropriate to give thought here to what would secure the efficiency of control of the state—an abundance of interstate structures or their quality.

DISCUSSION OF THE DRAFT is engendering a sea of questions of the following nature: Who will guarantee that the new union will have the desired effect? Will it not suffer the fate of the CIS, which today lacks a mechanism of extension of integration processes? Almost all the decisions of this body remain on paper only and are not implemented. The heads of state meet periodically and adopt, seemingly, important decisions. But real life does not, alas, feel their influence. Would the mechanical transference of the model of the European Union to the soil of the post-Soviet space be viable? Could this model give a good account of itself under the new conditions? Are the traditions of countries of the European Union applicable for our young independent states hesitantly starting out on their democratic path of development, profoundly infected with the disease of totalitarianism, what is more?

The countries of the European Union trod a different path of formation and have their own, purely European, Western path of development. They differ sharply in the geopolitical, geographical, economic, historical, demographic, and ethnic respects from the young post-Soviet states.

The relatively similar economic level of development of the countries, and there are no underdeveloped, purely raw material-appendage states among them, and also the comparatively identical type of political and spiritual culture, the homogeneity of religious belief, a noncritical focal point of ethnic problems, an identical type of economic relations, and so forth are conducive to the normal life of these countries. Has such a prerequisite for the creation of a Eurasian Union matured, one wonders. Without preliminary preparation and the in-depth conceptualization of the necessary conditions the transition from one type of commonwealth that is only just starting out on life to another would undoubtedly be painful.

The **PROGRESSIVE IDEA** of states' integration is today objectively encountering a number of serious difficulties. At the level of the everyday consciousness people that are far from politics perceive the integration process in their own way. One part of the population is intimidated by the fate of all its national states. There are national democrats taking advantage of sovereignization for their own selfish purposes for enrichment and the implantation by force of totally uncontrolled, unchecked power. No ceding of a particular aspect of sovereignty to some supranational structure would be to the liking of such national chiefs, of course. There are true supporters of a real integration process and there are people that support this idea for the sake of a democratic appearance that have hidden their true face far from the public view.

Many people are concerned as to whether a model of the European Union functioning positively with its settled structures (councils of heads of state and government and

foreign, defense, and economics ministers, the Europarliament, the interstate court, and so forth) would faultlessly serve the post-Soviet states.

The response to the creation of a Eurasian union has been ambivalent among the leaders of states of the CIS also. There are fierce supporters of such a union (Kyrgyzia, Moscow's City Hall, such politicians as S. Shakhrai, V. Shumeyko, and so forth). The response of the leadership and population of Russia is guarded, more than anything else. Of the 2,000 Muscovites polled, for example, only 30-38 percent supported N. Nazarbayev's idea, and 24.5 percent were opposed.

It is no accident that S. Kurginyan expresses his doubt in *NEZAVISIMAYA GAZETA* as to the feasibility of the Kazakhstani president's idea as lacking a general ideological basis of integration. Whereas the European Union is based on the age-old European idea, on what is the Eurasian Union based? N. Nazarbayev's assertion that economic interests determine the foundations of the convergence of the independent states is manifestly not to this author's liking, evidently.

He believes that a single idea, the sanctity of the new union state, complete freedom of development of the national cultures with obligatory bilingualism, a stable union parliament, united armies and a united national economic complex, a common foreign policy, and a common strategy of foreign economic activity are essential for unification in a Eurasian union.

While correctly pointing out the main structures of the new integration formation, the author is, on the whole, here demanding the restoration of virtually all the principles of the functioning of the former USSR. In his opinion, any attempt at the creation of a union will without such fundamental principles prove to be just another still-born fetus and empty phrase.

IT IS CLEAR THAT THE STABILITY, viability, indis-solubility, and estimableness of any union are not confined merely to economic factors. A union based merely on economic interests is reminiscent more of a trading alliance. Everyone knows that when a mercenary deal is at stake, slyness and sleight of hand creep in, and it is hard to expect natural sincerity there. Affable friendship in this case is not anticipated. For strength of ties of friendship political, historical, and spiritual affinities are obligatory. No association based on commercial deals sinks deep roots. Spiritual kinship, community of historical destiny, proximity of world outlook, similarity of way of life and social traditions—this is a far from complete list of the obligatory elements essential for assurance of the strength of a union.

Many of the mechanisms and levers of the Eurasian Union that are indicated in the draft are present even now in the structure of the CIS, the assembly of members of parliament of countries of the Commonwealth included. But they are operating inadequately, unfortunately. The draft records, incidentally, that the Eurasian Union Parliament is the supreme advisory-consultative body. But how does this fit in with the general purpose of a parliament called

upon to provide for the creation of the legal base and coordinate the law-making activity of the participants? The function of the Information Bureau of the Eurasian Union Executive Committee is traced imprecisely also. Something akin to a court or ethics commission results.

The **RECENTLY CONCLUDED** treaty of the three Central Asian states on the creation of a common economic space has been warmly received by the peoples of these countries. But certain politicians perceive it as a mini-European Union. They are given a nudge in this direction by a phrase recorded in the text of the appeal of the three presidents to the effect that "the Central Asian region is the home" of the peoples of these three countries. Such a conclusion is premature, of course. A common home is not created by appeals, decrees, or presidential edicts. It is formed merely when people bound by a single thought, indivisibility of inner feelings and concerns, a common beating of the heart, and a common purpose join together in a single integral formation. The creation of a common economic space does not in itself afford us sufficient grounds for proclaiming the Central Asian region the home of all people inhabiting this territory. Each of them has as yet its own homeland, its own independent sovereign state. The whole region will be a common home for them only when they integrate in a common integral political union.

As we can see, the problem is complex and extraordinary. It requires in-depth conceptualization and all-around study in order for an impeccable, viable, fundamental nature free of past mistakes and all defects to be imparted to the union that is being formed.

Support Measures for Germans Examined

944K2121A *Almaty PANORAMA in Russian*
No 32, 13 Aug 94 p 12

[Article by Andrey Solovyev: "Aleksandr Dederer: Measures To Support Kazakhstani German Entrepreneurs Could Help Halt the Emigration Flow to Germany"]

[Text] On 11 August Aleksandr Dederer, chairman of the Council of Germans of Kazakhstan, held a news conference devoted to the current position of local Germans.

Herr Dederer declared that the German population of Kazakhstan is in the final phase of full assimilation and is conclusively losing its ethnic singularities and the possibility of identifying with German culture. A whole number of negative factors like, for example, the scattered settlement of the Germans in Kazakhstan and the supplanting of German in the educational process in schools where it had previously been taught successfully is contributing to this. And the number of such schools themselves is declining: whereas in 1990 there were more than 500 of them republicwide, only 280 remain in 1994.

The news media are paying the situation of the Germans insufficient attention here, there being a kind of information vacuum surrounding them. As a result, many people do not even know that there is a number of organizations in the republic dealing with the problems of the Germans: cultural centers and the Council of Germans of Kazakhstan. All this is leading to people's increased sense of the

futility of their life in the republic, which, together with the deteriorating economic situation, is a reason for the Germans' departure for Germany.

As of today, there remain in Kazakhstan, according to the data of official statistics, approximately 760,000 Germans. But many people consider these figures to be understated. The level of migration is, truly, great: More than 115,000 Germans left the republic in 1992, some 113,000 in 1993. A slowing of the rate this year is not expected. But, according to Aleksandr Dederer, the number of departees is not yet showing up significantly in the figures of statistics. He explains this by the fact that in recent years many of those that had earlier preferred in official documents to alter their nationality are today being entered in column five as Germans. As a result, the impression is that the number of persons of German nationality in the republic is not diminishing that rapidly.

The measures being adopted for the support of Germans in Kazakhstan are very much belated. Aside from economic considerations and concern for the future of their children, many are being forced to leave also by the certain discomfort created by the new political realities in the sovereign states. Nonetheless, many have still to finally decide for themselves the question of whether to leave or to stay, and a certain percentage of Germans will remain in Kazakhstan, in any event, Herr Dederer believes.

A comprehensive program of the ethnic revival of the Germans, which the chairman of the Council of Germans of Kazakhstan termed a very important document, has been adopted in the republic. But certain specific steps adopted by the authorities in this field evoke the strong criticism of Herr Dederer. Specifically, the negotiations held this summer at government level between Kazakhstan and Germany on assistance to the Kazakhstani Germans concluded absolutely without result. The communique between the governments of the two countries adopted at these negotiations is devoid of any specifics and is of a general nature. The proposals that the Kazakhstan side presented at the meeting are not pertinent, are devoid of common sense, and fail to take account of today's realities. In addition, these proposals were prepared without regard to the opinion of the Kazakhstani Germans, and Aleksandr Dederer himself was acquainted with them literally just before the negotiations were about to begin. People wholly unacquainted with the issue were appointed to the commission on problems of the Germans. Herr Dederer characterized these facts as bureaucratic irresponsibility, which could merely bolster the Germans in their desire to leave Kazakhstan. The chairman of the Council of Germans appealed to President Nazarbayev with his concern on this matter, as a result of which the composition of the commission was changed, and Deputy Prime Minister Tulegen Zhukeyev was appointed its new leader. This stimulated the work of the commission, and reports of representatives of the Ministry of Education and the Ministry of Culture and the State Television and Radio Broadcasting Company on the progress of fulfillment of the program of ethnic revival of the Kazakhstan Germans were heard for the first time at a recent session.

The government of Germany is rendering the German diaspora great support. Aid totaling DM24 million was received by the republic in 1993. Many people were expecting here, as Herr Dederer observed, that the assistance of the FRG to the representatives of the diaspora would appear in the form of the cash payments to the Kazakhstani Germans directly. But Germany considers another form of assistance effective: Funds are being supplied to Kazakhstan for the support of German cultural centers, more than 500 schools have been furnished with audio and visual equipment, and the Karaganda Oblast Hospital has received very costly diagnostic and medical equipment. In addition, plants for processing agricultural produce that have been delivered from the FRG are already operating in a number of oblasts. Nine heavy military transport aircraft with a cargo of prescription drugs, which were distributed specifically among the republic's hospitals, arrived in Kazakhstan last year alone. Aleksandr Dederer considers this system of German aid correct since it permits the lifting from Kazakhstani Germans of the reproaches concerning national egotism and the fact that, against a background of general economic and social problems, they, thanks to support from Germany, could constitute some privileged group.

But aid will be reduced considerably this year: The FRG is planning to allocate only DM7.5 million. In Germany itself, the economic situation is very complex, and the country has been forced to reduce the extent of support for the German diaspora. In addition, there is another problem on this issue also: according to Herr Dederer, during their contacts with the German leadership the representatives of Russian power structures have been propounding the idea of the pointlessness for the FRG of the rendering of Kazakhstan assistance along the lines of support for its compatriots. It is maintained that all Kazakhstani Germans intend as soon as possible to make their way either to Russia or to Germany and that it would be more expedient for Bonn to allocate more funds for the Russian Germans. Russia currently receives 90 percent of the German assistance, incidentally. Nonetheless, Herr Dederer observed that, according to his information, the desire of Germans to make their way to Russia cannot be called general, despite the fact that much has been done there for a solution of the German question. Specifically, national German areas have been created in several regions, and it is the heads of the administrations of these areas that are maintaining that the Kazakhstani Germans want to move to Russia en masse. But, here is an interesting fact: According to Aleksandr Dederer's information, the rate of the departure of Germans for Germany from these national areas is entirely comparable with that of their emigration from Kazakhstan.

Speaking of measures that could halt the emigration flow to Germany, Herr Dederer observed that measures to support Kazakhstani German entrepreneurs could contribute to this. The republic government has an interest in this also, in his opinion, since it is these people that could contribute directly to a strengthening of the interaction of the economies of the two countries, which is particularly important for Kazakhstan in its present difficult situation.

The firm of the Shchuchinskiy entrepreneur Ivan Varkentin, whose business is transportation, enjoys authority in West European countries, for example. But there are no other examples as yet, unfortunately—many Kazakhstani German businessmen are winding up their affairs here and making their way to Germany. They explain this by the difficulties for the development of business in Kazakhstan. The representatives of many firms from the FRG accredited in Kazakhstan speak of this also. The Kazakhstan Government, according to Herr Dederer, must recognize the pernicious nature of such a situation and adopt measures to change it.

A certain degree of optimism was injected by Herr Dederer's words concerning the German culture festival that was held in July in Kostanay and that had been organized and financed by the Kazakhstan Government and the FRG. He also places big hopes in the Kazakhstani-German talks on problems of the Germans scheduled for the end of August. Aleksandr Dederer is hoping that they will be more productive than the previous ones held in the FRG.

Center Expected To Deal With German Issues

944K2140A Almaty KAZAKHSTANSKAYA PRAVDA
in Russian 17 Aug 94 p 3

[Report by Larisa Lukina, KAZTAG: "Will German House Help the Germans?"]

[Text] Aleksandr Dederer, chairman of the Council of Germans of Kazakhstan, held a news conference in the as yet unfinished hall of German House, which will open shortly at Block 9 of the Samal 3 neighborhood.

It is to be a center wherein all matters concerning Germans living in Kazakhstan will be coordinated. The Federal Government of Germany has purchased in Almaty the first story of a regular apartment block and has agreed to all the costs connected with its re-equipment. As A. Dederer believes, a new page in the German movement will begin with the opening of this center. It has as of late become increasingly difficult to resolve the by no means simple "German" problems of the 1 million-strong people on a volunteer basis. The entire staff is being subsidized for a year of work with the hope that the concept of the self-organization of the Germans will have been realized at least partially in this time. And when the enterprise is standing on its own two feet, it will begin to live an independent life. It is essential for this for the Council of Germans to work in constant contact with the Wintergeburg Society and the German National Center.

Aleksandr Dederer sees the future of Germans in Kazakhstan without undue optimism, but he shuns gloomy forecasts also. Not only nostalgia for Kazakhstan land that has nourished the Germans keeps them here, he believes. After all, even in Germany, no one is tackling immediately and in the best fashion the problem of adaptation of immigrants, housing, and unemployment. In addition, people over the age of 30 cannot under the new conditions realize their potential in full and would hardly be happy. At the same time, on the other hand, not only an attraction to the historical homeland is influencing a decision on

departure but also the absence of, for example, teacher personnel, on whom it will depend whether German children in Kazakhstan speak their native language. The council has decided, therefore, to facilitate the departure only of those for whom things are really bad—retirees, for example.

A. Dederer sees as the most important thing now the creation of an interest for the life of Germans in Kazakhstan. It is necessary first and foremost, in his opinion, therefore, to support entrepreneurs from the German diaspora to ensure that they cooperate more actively with local small business in banking and insurance. The stable contributions from profit for the development of culture and education could then be expected. It is essential, the chairman of the council believes, to contribute also to the speediest improvement in legislation on the protection of investments, since many representatives of German firms, and 38 are accredited in the republic, are complaining that it is hard to operate on account of the difficulties in the formalization of bank transactions and the negotiation of payments.

Tereshchenko Views Ties with Turkey

944K2069A Almaty KAZAKHSTANSKAYA PRAVDA
in Russian 10 Aug 94 p 1

[KAZTAG report: "Relations Developing in All Areas"]

[Text] On 9 August Mehmet Gelhan, minister of defense of Turkey, who is in Almaty, was received by Prime Minister Sergey Tereshchenko. He declared that the relations that currently exist between the two countries would intensify and expand in the economic and political spheres. There are all the opportunities for this.

Kazakhstan has large mineral and raw material resources, the head of the government noted. At the Tengiz field alone oil reserves constitute 2 billion tonnes. The republic also has 60 percent of world reserves of chromium ore and substantial deposits of coal and nonferrous metals. As far as agriculture is concerned, it has approximately 10 million head of cattle and 40 million sheep. It is planned in the present year harvesting 20 million tonnes of grain.

With the disintegration of the USSR, Sergey Tereshchenko said, Kazakhstan is having to establish raw-material processing. And here we are putting the emphasis on foreign credit, investments, and the creation of joint ventures, of which at the present time we have 1,400, some 183 of them being Kazakhstan-Turkish. These enterprises process leather and wool and produce soap and shampoo. The manufacture of telephone exchanges will shortly be established in Uralsk in conjunction with Turkish firms.

The prime minister thanked the minister of defense of the friendly country for the assistance in the organizational development of the armed forces of the republic and emphasized that military specialists of Kazakhstan would study closely Turkey's positive experience on defense matters and adopt it.

On behalf of the leadership of his country Mehmet Gelhan conveyed best wishes to the people of Kazakhstan. He valued highly the first results of his visit and declared that

Turkey was always ready to share its experience of the restructuring of the economy and the establishment of a truly democratic, secular state.

The same day Mehmet Gelhan visited an aviation regiment of the armed forces of the republic, where he familiarized himself with the life and training and operational activity of the personnel.

The minister of defense of Turkey leaves for Ankara on 10 August.

'Lad' Requests That Slavs Stay

944K2069B Almaty KAZAKHSTANSKAYA PRAVDA
in Russian 10 Aug 94 p 1

[Dinara Shugabayeva report: "'Lad' Asks Slavs Not To Leave Kazakhstan"]

[Text] Slavs, as, equally, representatives of other nations, should not leave Kazakhstan—such is the leitmotiv of the appeal of a group of Kazakhstanis to their fellow citizens. It was considered and supported at the council of the Almaty organization of the Lad [Harmony] grassroots movement, whose members represent the bulk of the signatories.

As a result of the collapse of the Union, the appeal says, many Slavs have found themselves torn away from their historical roots, having become foreign citizens for Russia, Ukraine, and Belarus. But despite the repeated requests of the government and the president of the Republic of Kazakhstan that they not leave their dwellings, people are leaving all the same. The reasons for this are the most diverse. It is regrettable, but the stream of departees is already running into the hundreds of thousands.

Yet a better lot does not await Slavs elsewhere, the authors of the appeal say. The doors, simply put, are being closed in many states of the CIS to immigrants coming from "prosperous" Kazakhstan, their not being given or even promised work [line missing] a thick wad of dollars in their pockets no one needs anywhere, alas.

It goes on to adduce arguments in support of staying in Kazakhstan. Pointing to the historical multinational character of the region, the appellants request that account be taken of such a splendid given fact as the people that gave the republic its name. Kazakhs, like Slavs, are characterized by such national character traits as openness and magnanimity and a readiness to give shelter to and share all that they have with the needy. Feelings of animosity or superiority are alien to them. They are tolerant. Several generations of Kazakhs have been characterized by a devotion to Russian culture and the Russian language. Slavs have largely grown close to the Kazakhs and have never sensed that there were not at home here. So would it not be more sensible now, at this abrupt turning point in history, for everyone to discuss the unresolved problems of our existence together and to formulate common positions that unite us? Especially since new generations of the nations are at the present time conceptualizing the idea of a Eurasian commonwealth proposed as an alternative to the alienation and isolation of the peoples and states. The emerging prospect shows the contours [line missing]

Sentence Lifted in Svichinskiy Murder Case

944K2139A Almaty EXPRESS-K in Russian
17 Aug 94 p 1

[Report by Stanislav Pesnev: "Supreme Court Rescinds a Sentence in Svichinskiy Murder Case"]

[Text] The Supreme Court, having considered the appeal of the Karaganda Oblast Procuracy, rescinded the sentence handed down by the Karaganda Oblast Court in the case of A. Svichinskiy's murder with respect to A. Chernykh and S. Chopchits.

Let us remind our readers that Aleksandr Chernykh, former chief of the foreign economic relations department of the Karaganda Metallurgical Combine [Karmetkombinat] was sentenced by the oblast court to three years of incarceration, with a two-year suspension of sentence, and was released right in the court room, while driver Silantiy Chopchits was sentenced to 13 years in jail. The Karaganda Oblast Procuracy appealed the ruling as unjustifiably lenient.

As soon as the materials arrive from the Supreme Court, the case of the murder of Karmetkombinat General Director A. Svichinskiy in December 1992 will go on trial again in the oblast court. Currently, A. Chernykh remains free, while S. Chopchits is kept in the investigative detention facility.

TAJIKISTAN

Opposition Spokesman Disavows Terrorism

94WR0225A Moscow NOVOYE VREMYA in Russian
No 30, Jul 94 [signed to press 26 Jul 94] p 18

[Letter to the Editors from Otakhon Latifi, chairman of the board of the Coordination Center of Democratic Forces of Tajikistan In CIS Countries: "Tajik Opposition Declares: Accusations Are Groundless"]

[Text] In connection with the latest cases of terror in the Tajikistan Republic and outside its borders, I must state that the Tajik opposition has nothing to do with that terror. Those who claim the reverse do so with evil intent, obviously not knowing what the Tajik opposition represents, what its objectives are, or how it intends to achieve them.

I must make several simple but necessary clarifications.

Regarding armed formations.

Yes, the opposition has armed formations, which are seriously and well trained, especially in the tactics of partisan warfare in mountains and residential areas. And they are, of course, armed. On several occasions they have demonstrated their strength and combat capabilities in the war imposed upon them. That is precisely what forced the Dushanbe regime to enter into negotiations.

Regarding the nature of the struggle and relations with Russia.

The Tajik opposition calls the processes taking place a war of national liberation. The current paradox is that Russia,

which is straining to freedom and the civilized world, is more with those in the CIS framework who suppress the democratic and national-liberation movement.

The Tajik opposition is branded with various labels: Wahhabites, fundamentalists, Islamists, demislamists.

Several canards were tossed before the first, Moscow, round of intra-Tajik talks under UN aegis. That the opposition is engaged in drug trafficking... That it has assembled considerable forces on the border and is preparing to attack... While thus diverting public opinion, it was intended to carry out large-scale military exercises, moreover, on the territory of "Tigrovaya Balka" [Tiger Valley], the unique Tugay preserve, and at the same time to raid Afghanistan so as to bomb camps of Tajik refugees. That plot would surely have been carried out if not for the resolute protest of the Russian public and the world community.

The same thing happened towards the beginning of the Teheran round of negotiations. And the most absurd thing is that each time it is claimed that armed formations of the opposition are concentrating on the Afghan-Tajik border. Our headquarters are not so ignorant as to create a target for artillery fire and air raids. Unmarked aircraft have repeatedly bombed refugee camps. It is not the opposition's intention to expose its formations to direct annihilation.

Accusations that the Tajik opposition is committing acts of terrorism against Russian servicemen have the same purpose: to defame it and deal with it. I must recall the case of the shooting of a Baptist family last December. At the time the opposition was blamed. But there were no denials when it was established that it was the work of a Russian serviceman... The Russian press periodically reports opposition fighters allegedly being caught at the scene of a crime. But there is usually no follow-up, that is, information on the results of investigations of trials.

Now concerning the latest terrorist acts, including fire opened against a bus carrying family members of border guards. This occurred after Russian soldiers began patrolling the streets of Dushanbe and roads around the city. It was loudly proclaimed that they had disarmed 35 people on the first day and more than twenty on the second. But they were not identified. I think it is obvious why. Because the question immediately arise about those who are currently languishing in the regime's jails. Many received sentences of 5 to 15 years for 7-10 bullets allegedly being found in their homes. Yet here they catch someone with automatic rifles and there is no word about the punishment they may get.

Opposition fighters have not and do not commit robberies. Those who live off Kalashnikov automatic rifles are well known to the leaders of the Dushanbe regime, as well as to the command of the collective peacekeeping forces.

In our view accusations against the opposition have the following purpose. Firstly, to disrupt the negotiation process and thereby negate recognition of the opposition by the international community. Secondly, to push Russia towards violation of the UN Convention on the status of

refugees, forcefully expel them from CIS countries to Tajikistan and force them at gun point to vote for the new constitution, although they did not participate in discussing its draft and have no desire to pass it.

God forbid if they start to persecute refugees. Many in Tajikistan will, of course, be shot or locked up in prisons and concentration camps. But tens and tens of thousands of the almost one million refugees will take up arms to defend themselves. It is not hard to predict the consequences.

The Tajik opposition did not and does not want war. I repeat that it seeks negotiations and insists on moving them forward, because delaying the achievement of a political settlement of the situation leads to more confrontation. It was the opposition that first put forward the idea of using Russian armed forces as a peacekeeping force, and it insists on the presence of UN observers to avoid UN suspicions of Russian neoimperialist motivations. True, the Russian representatives at the intra-Tajik talks are somehow wary or even object, thereby arousing the suspicions of the international community.

Having enlisted Russia as a guarantor of achieving peace and accord in Tajikistan, the opposition will not undermine its own position with terrorist acts. It is capable of combat operations, but will resort to them in only one case: if at the negotiation table it sees that the Dushanbe regime does not want to come to terms on all items of the agenda that were endorsed at the Moscow round of talks.

Tajikistan Reported as Leader in Drug Production, Use

944F1216A Moscow *SEGODNYA* in Russian
4 Aug 94 p 4

[Unattributed article from INTERFAKS under "Tajikistan" rubric: "The Number of Drug Producers: the Republic Is in First Place in Central Asia in the Drug Transactions"]

[Text] The lack of viable state authorities on account of the civil war has meant that this country has become a favorable zone for drug producers. According to information from the Republic's Ministry of Internal Affairs, the city of Pendzhikent located in the north of Tajikistan has become the largest base in Central Asia for the growing of the opium poppy. Practically one out of every two inhabitants there deals in illegal business. Dealers move the raw opium obtained from the poppy with a price of from 3,000 to 5,000 rubles per gram to neighboring Uzbekistan, where it doubles in value. And from there, avoiding police patrols and customs cordons, the narcotics reach Kazakhstan and subsequently Russia.

As Maj.-Gen. Gennadiy Blinov, first deputy minister of internal affairs of the Republic, declared in an interview with INTERFAKS, almost 7 tonnes of plants containing narcotics—poppy and hemp—have already been destroyed in this region in the course of the summer operation "Poppy-94" carried out by internal affairs subdivisions. Besides weapons, the subdivision of the Ministry of Internal Affairs involved in the operation has a

"can of gasoline and a scythe." They put the cut hemp and poppy in a pile, pour gasoline over it, and burn it. But they are not able to achieve more significant success in the fight against the narcotics business because of the lack of adequate technical supply. This year the Government of Tajikistan was unable to provide the Ministry of Internal Affairs with money even for the leasing of a helicopter. The drug producers, seeing the helplessness of the police, are expanding the volume of production of the potion. According to Tajik special services, there are at least 15 mafia drug groups in Dushanbe alone. The number of

crimes relating to narcotics has increased by more than 20 percent in recent times. Tajik special services affirm that the money obtained from drug dealing goes to support armed mafia groupings and to acquire up-to-date weapons, including missile launchers.

The special services of Tajikistan also have information to the effect that Gornyy Badakhshan has now become the least expensive and largest transshipment center in Central Asia for the transfer of Afghan raw opium through Tajikistan to Kyrgystan and from there to Russia.

ARMENIA

Government Signs Agreement With Trade Unions Group

944F1256A Moscow SEGODNYA in Russian
10 Aug 94 p 4

[Article by G. Matevosyan: "Government Making Concessions to Trade Unions. Prepared for Further Cooperation With Them."]

[Text] In late May 1994 the Confederation of Trade Unions of Armenia held a meeting in the course of which it warned the government that if negotiations between them fail to bring any concrete results, the confederation will raise the question of declaring a massive strike. In the opinion of the confederation leaders, the government has failed to fulfill obligations it assumed and deliberately prolonged negotiations.

The rigid position taken by the trade unions evidently brought some action. A few days ago an agreement was signed between the Government of the Republic of Armenia and the Confederation of Trade Unions of Armenia concerning the stimulation of production, protection and remuneration of labor, and regulation of the amount of pensions, grants, and income of the population. The principal demand of the trade unions was fulfilled: The government agreed to provide a minimum consumer basket with coupons on a monthly basis, beginning in the second six months (and also at acceptable prices)—butter, rice, sugar, coal, and candles. It was also decided to improve the social position of pensioners. By the way, Levon Ter-Petrosyan, president of the Armenian Republic, signed an edict in accordance with which as of 1 August 1994 a supplementary payment of 30 percent was authorized for all types of pensions.

In the opinion of Grant Bagratyan, prime minister of the Republic of Armenia, with regard to many issues the government made concessions to the trade unions and is ready to cooperate with them further. The agreement will remain in effect until 31 December 1994. Subsequently, branch agreements will be signed between different ministries and trade unions.

It is difficult to overestimate the significance of the agreement that was reached, particularly if it is recalled that at the present time the average wage in Armenia amounts to 900 drams. Converted on the basis of the current exchange rate, this sum equals less than \$2.40. At the same time, a kilogram of butter at Yerevan markets costs 700-500 drams, meat—600-800, and potatoes—70-100 drams.

In accordance with the results of a quick survey conducted by the Spark Agency in Yerevan, 69 percent of the residents exist under current conditions with the help of relatives in the near and far abroad. Another 12 percent of Yerevan residents support themselves with the aid of land plots.

Boom of Newspapers Market Reported

944F1256B Moscow SEGODNYA in Russian
10 Aug 94 p 4

[Article by M. Mikaelyan and A. Paronyan: "Newspaper Boom In Armenia: Over 200 Publications Are Competing on the Information Market of the Republic"]

[Text] The Armenian press has undergone major changes over the past several years. As is commonly known, in the years of communist rule the mass media was part of the party-state structure, which determined the content of the material. Since 1988, following certain events, the need for objective and analytical information in the republic rose sharply.

Appearance of the newspaper AYK of the Armenian national movement and the large number of weekly periodicals URBAT, ANDRADARTS, and others, whose main task was to publish current and critical materials on the issues of the day, was the initial harbinger of change. The situation underwent a radical change, however, with the appearance on the newspaper market of the new weekly newspapers AZG, YERKER, and several others. The editors of these publications introduced a new style in Armenian journalism, based on facts, with maximum timeliness, and a wealth of information. In a few years these newspapers won a significant following. In addition to that, because of the severe energy crisis in Armenia (electricity is supplied for only four hours a day to residences, and sometimes even for less), television so far does not play an important role on the information market.

Today there are 330 elements of the mass media registered in the republic. Most of them are newspapers—around 230 of them. In addition to that there are 26 private television studios, nine radio services, nine large information bureaus, and 47 magazines. The State Television and Radio Company and the ARMENPRESS state information bureau are also in operation.

Today the climate on the market of daily newspapers in Armenia is created by Armenian-language newspapers YERKER, AZG, LRAGIR, AYASTANI ANRAPETUTYUN, and the Russian-language newspapers GOLOS ARMENII and RESPUBLIKA ARMENIYA. The economic weekly ARMYANSKIY KOMMERSANT and the advertising-marketing publication EIS-EKSPRESS (in Armenian and in Russian) appear periodically, along with GIND, ARGAST, a women's weekly (circulation of 5,500), the sports periodicals MARZAKAN AYASTAN (circulation of 4,400) and FUTBOL (circulation of 1,000). MARZASHKHAR, rag newspapers BRAVO (in Armenian and Russian), and MAKHITSHO (circulation of 5,000).

The biggest Armenian newspaper, YERKER (established in 1992, with a circulation of 25,000), is a typical party, opposition publication, the printed organ of the Dashnaktsutyun Party. Practically all of its material is obtained from its own AYPUR agency, while editorial material and analytical articles are prepared by the editorial office. The newspaper also uses the services of Armenian information

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bureaus SNARK, NOYAN TAPAN, and RIA. The Dashnaktsutyun Party also publishes AZATAMART (the Russian version was established in 1992, with a circulation of 15,000, and it appears weekly).

AZG, a liberal-democratic newspaper (with a circulation of 15,000), maintains a critical attitude toward the policy conducted by the leadership of the republic, while at the same time keeping a respectful tone. It stands for development of close ties not only with Russia, but with countries in the West as well. It has bureaus in Georgia, Russia, and France. The newspaper was established by a group of journalists which "split away" from AZG. An aspiration to come as close as possible to the Western style is characteristic of this publication.

GOLOS ARMENII is a daily independent Russian-language newspaper (with a circulation of 10,000). Almost half of the commentaries are based on materials from the Russian press and numerous publications of an apolitical character. GOLOS ARMENII has its own correspondent in NKR [Nagorno-Karabakh Republic].

RESPUBLIKA ARMENIYA, with a circulation of 12,500, is loyal to state structures and tolerant of the opposition. The criticism here is better argued and less emotional. Key materials are most often its own, while reprints from the Russian press (mainly from NEZAVISIMAYA GAZETA) are less frequent.

AYASTANI ANRAPSTUTYUN is the official organ of the Supreme Council (circulation of 10,000). The front columns as a rule are filled with official materials or releases from information bureaus, mainly ARMENPRESS. The AOD [Armenian Pan-National Movement] AYK newspaper, which is published biweekly, deserves attention. AYK, just like the AA, sides with the ruling party and criticizes the opposition.

MER KHOSK is the newspaper of the Communist Party of Armenia, which was established in 1991 and has a circulation of 6,000. The Gnchakyan Party publishes the GNCHAK AYASTANI newspaper (since 1993), with a circulation of 4,000. The newspaper of the Azdarar Democratic Party has been published since 1992, with a circulation of 3,000. The Nor Ugn Party has published a newspaper of the same name since 1993, with a circulation of 4,000.

Daily newspapers, on the average, cost 10-25 drams. Practically none of the newspapers are self-sustaining and exist at the expense of their founders. The principal reason for unprofitability is the high cost of newsprint, which is imported from Russia. Today it costs \$1,000 per tonne in Armenia. High prices are explained by the high cost of air shipments. Advertising revenues do not offer a solution, while increasing the size of the printing runs merely leads to additional losses. Nevertheless, the occupation of journalist is regarded as one of the most highly paid in Armenia. A journalist earns on the average from \$5.00 to \$150.00 per month.

Prior to 1993, only one state service, ARMSOYUZPECHAT, engaged in the distribution of newspapers in the republic. Presently numerous editorial offices engage in

distributing their publications on their own. The daily press, however, is still distributed only by ARMSOYUZPECHAT. The newspaper RESPUBLIKA ARMENIYA, however, is received in Russia only through that organization. The newspaper GOLOS ARMENII is distributed in Russia and in Ukraine (Moscow, St. Petersburg, Stavropol, Novorossiysk, Rostov, Kiev, and Lvov) on a private basis—through the efforts of the editorial office and some individuals in Russia. The newspapers AZG and AYASTAN are distributed in the United States as well (mainly in Los Angeles). The method used in both cases is the same: A copy of the newspaper is transmitted to the United States by electronic mail, where it is printed.

Financial System Seen Stabilizing

944K2163A Yerevan RESPUBLIKA ARMENIYA
in Russian 18 Aug 94 p 1

[Report by Artem Yerkanyan: "There Is Room for Retreat"]

[Text] The Central Bank chairman kept his word to share information with journalists on a monthly basis. The scheduled press conference was postponed because of the official visit of the Republic of Armenia delegation to the United States. Immediately upon returning from there, Bagrat Asatryan gave a briefing.

In Mr. Asatryan's opinion, a number of preconditions contributed to the perceptible success in the cause of stabilizing the republic's financial system that we have observed over the past few months, among which a significant role was played by increased exports and improvements in agriculture. In his words, it has been obvious to everyone by now that the line toward tightening of the credit-monetary policy taken by the Central Bank and the government was correct. The encouraging trends are associated to a great extent also with effective operation of the Yerevan Stock Exchange, which precludes the opportunity to artificially influence the process of forming a real exchange rate of the national currency. The Interbank Credit Exchange, which already has organized four credit auctions in the Central Bank, also is confidently making its first steps.

The persisting difference between the exchange rates of the cash and noncash currency remains a serious problem. In order to reduce this difference, the Central Bank is undertaking radical steps, which, in its chairman's opinion, should produce results in the very near future. Mr. Asatryan called it an achievement that the bank had been able to develop mechanisms for regulating the activities of currency exchange offices. Time showed the expediency of limiting the prerogative of setting up exchange offices to banks, taking it away from private enterprises and private entrepreneurs. The new statute regulating the activities of foreign currency exchange offices envisages a number of restrictions aimed at reducing the amounts in circulation in the "black" sector of the foreign currency market.

Before describing his meetings in the United States, Mr. Asatryan shared the information that, for the first time, a consignment in Armenian drams was offered at the latest trading at the Moscow Interbank Foreign Currency

exchange. This means that in the near future our national currency will be traded at the Russian foreign exchange market. Of the greatest interest to journalists, however, were the figures for the rate of inflation the Central Bank experts consider permissible. According to Bagrat Asatryan, the Armenian economy can easily sustain the lowering of the dram exchange rate to 470 drams per dollar by the end of the year. Will it hold there? Time will tell.

Wheat Production Falls Short of Needs

944K2163B Yerevan RESPUBLIKA ARMENIYA
in Russian 18 Aug 94 p 1

[A FAKT report: "Armenia Gets the Needed Volume of Grain"]

[Text] The wheat currently produced in Armenia meets only 30 percent of the republic needs. A FAKT correspondent was told this in the Republic of Armenia Ministry of Economics. The remaining 70 percent are made up by imports and humanitarian aid. According to the available data, the potential for a maximum production of grain in the republic depends on the planting area.

Let us also remember that last year the republic produced 315,300 tonnes of grain, of which only 32,000 were procured by the state.

Weekly Opposition Press Review

944K2163C Yerevan RESPUBLIKA ARMENIYA
in Russian 18 Aug 94 p 3

[Review by Aram Abramyan under the rubric "The Press Landscape": "Whose Pine Cones Are There in the Forest?"]

[Text] As is known, last week the Ramkavar-Azatakan party [PRA] split. The "old" ramkavars believe that the alternative organization had been set up with the assistance of the Armenian authorities. The national board's statement says that the impostor organization has no right to consider itself a PRA's successor.

The press published the appeal of the Armenian Pan-National Movement [AOD]. At this point it is hard to evaluate this movement. However, I doubt the prospects of any political organization operating in the environment of a community rather than a state, including the diaspora's AOD.

The YERKIR newspaper reported on another NDS [National Democratic Union] rally. "Two weeks ago," writes the newspaper, "the people were asked to come in two weeks with a clear answer to whether they want to live under this authority or they are ready to become more active for the sake of their own future. As a minimum, the number of participants showed that two weeks were not enough for the people to come up with a definitive answer: The number of those in attendance at this rally was no greater than at the previous two."

Then the newspaper provides a rendition of Vazgen Manukyan's program-analytical speech. And concludes the

material with the following paragraph: "Ashot Manucharyan's speech may be described as a repetition of the most successful excerpts from the previous speeches. Essentially, he did not say anything new, and one can probably assume that everything already has been said. Well, time will tell."

"In the end the people will understand who is their only master." Although all our politicians, similar to the famous cartoon character, almost every second ask the indignantly rhetorical question "Whose pine cones are there in the forest?"—one can guess nevertheless which of our parties so frankly assumes such a prominent role and which precisely among the Dashnamsutyun figures could venture such a pretentious statement.

In an interview to the FAKT agency, Eduard Ovaknisyan notes that the coalition of parties based on hatred toward the current authorities will not be viable. Unification requires a positive platform, which, in his opinion, of course is provided by national-socialism—the ideology that led the people of Germany and Italy to such positive results.

However, the representative of our "only masters" is unhappy that the shining ideals of socialism have not yet become the property of all political forces in Armenia. "If I go to a city square right now," he says, "and say that social justice requires implementation of some or other socialist principles, the same Vazgen Manukyan, who says something completely different, will disagree with me, and we will end up fighting."

A communist newspaper NASHE SLOVO's commentator notes that famous figures in the Karabakh movement this time pour crushing criticism not on the communist regime and its leadership, but on the AOD and the current national leadership. "There is a saying," writes the author, "that the enemy of my enemy is my friend." We, the communists, reject this antihumanist principle. There are no enemies here; it is obvious, however, that what is happening is a clash between two branches of authority that are the carriers of one and the same morality, the same credo, the careerists drinking from the same well.

I should note that communists always distinguished themselves by high humanism and a complete indifference to official position.

The URARTU newspaper reports that the editorial offices of this newspaper were visited by leaders of a certain party (for some reason it does not say which) and in an impermissibly rude manner demanded an immediate retraction of material they did not like. It was explained to the party comrades that a newspaper is simply a medium for transmitting information. The item says that making acquaintance with functionaries was no pleasure for the members of the collective and deprived them forever of a desire to ever join the ranks of this party.

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Unfortunately, the aforementioned behavior is typical of practically all our political organizations and figures, who lately have developed a special love for the mass media but a very strange love indeed. Meanwhile, if they need to sort things out, it is strictly among themselves, and for the purpose of improving this process I propose the following mechanism. Those politicians who mortally hate one another should resolve their differences by a means of a duel—choose some heavy article and slug it out to the victorious end. I think that this new, progressive form of political struggle would make the public atmosphere considerably healthier. (For especially perceptive analysts, I want to add that this is only a joke, and this issue is not being discussed in the higher echelons of power).

LRAGIR published a statement in defense of the press, signed by 30 members of the leading mass media. The statement says that certain political forces and figures lately began to resort to open blackmail. By creating a certain public opinion regarding some or other journalist, they attempt to direct his activities along the lines they want, as well as subject the rest of the press to psychological terror. My colleagues assure politicians that, despite the utilization of such methods that remind one of "witch hunting," they will continue to write what they think.

Health Ministry Reports on Diphtheria Cases

944K2170A Yerevan RESPUBLIKA ARMENIYA
in Russian 19 Aug 94 p 1

[Article by Vagran Stepanyan: "Situation Under Control"]

[Text] The main purpose of the press conference held yesterday by Ararat Mkrtchyan, deputy public health minister for health services of the Armenian Republic and chief physician of the republic, was to dispel panic among the populace with regard to the epidemiological situation in Armenia. The cases of diphtheria and dysentery registered here in recent days and cases of cholera in Azerbaijan, Russia, and Turkey could not help but elicit anxiety among the population.

As a result of investigations conducted in accordance with the republic's immunoprophylactic program, four cases of diphtheria were identified in Artashatskiy Rayon, 21 in Masisskiy Rayon, and three in Yerevan. Mr. Mkrtchyan stated that all the sick people were hospitalized and undergoing treatment. One case resulted in death, through the fault of the parents of a sick child who were treating him at home. An additional five cases were recently registered in Masisskiy Rayon. In this regard, a group of leading medical personnel headed by Minister A. Babloyan travelled there on 16 August. The situation is under control, and no new cases of the disease have been reported. Without a doubt, a timely campaign with respect to preventive vaccinations had its effect. Incidentally, the symptoms of diphtheria are similar for the most part to signs of angina. Thus, upon feeling a burning sensation in the throat and high temperature, the chief physician of the republic advises that one see a doctor immediately.

Mr. Mkrtchyan told journalists that there have not as yet been any registered cases of cholera in Armenia. The drinking water is being controlled by appropriate services, and all measures have been taken to avert an epidemic in the republic. In the health minister's opinion, it is not yet necessary to introduce quarantine in Armenia. Simply wash your hands more frequently....

Mr. Mkrtchyan stated that a flare-up of diphtheria was seen in the capital's Shengavit'skiy Rayon in the beginning of August. The reason for this was the mixing of drinking and sewage water, the result of an accident in the sewage system. As of today, the accident is cleaned up, and those who fell ill are undergoing treatment. But is it absolutely recommended that residents of this rayon boil their water.

As far as anthrax-contaminated meat is concerned, the meat has been destroyed, and persons in immediate contact with the infection are being examined.

Judging from the statements of the chief physician, the situation in the republic is under control. Medical institutions have the required medicinal preparations on hand, as well as the vaccines for administering preventive inoculations. These were obtained through the assistance of UNICEF. Hospitals are adequately supplied with medicines. So—do not get sick, dear fellow citizens!

AZERBAIJAN

Aliyev's 'Southern' Foreign Policy Viewed

944K2094A Baku BAKINSKIY RABOCHIIY in Russian
21 Jul 94 pp 1-2

[Report by Ibragim Shukurov: "Return to the South"]

[Text] Tehran-Jiddah-Baku—Islam, policy, oil—such are the main points of contact of the interests of Azerbaijan and the states situated south of its borders. The last two visits of Geydar Aliyev—to Iran and Saudi Arabia—denoted an important stage in the "grand policy" that he is formulating and in the search for Azerbaijan's appropriate place in the system of international relations.

These visits balanced, as it were, the active diplomatic contacts with the West, bringing equilibrium to the foreign policy reference points and marking a division of spheres of economic partnership and cultural cooperation. Azerbaijan's geopolitical position has ceased thereby to be a "thing in itself" and has been realized as a unique phenomenon, making it possible to summarize and multiply positive influences, extinguish negative influences, and be an important focal point of the intersection of political views, alternatives, and concepts.

The "southern" direction in foreign policy activity signifies also the start of Azerbaijan's return to the Islamic world, the multinational and multi-racial Muslim community—the ummah—and a renaissance of spiritual, ideological, and cultural values. In short, this means a new entry into Muslim civilization, Azerbaijan's historical contribution to which is inestimable.

But Muslim civilization, from which we were forcibly excommunicated by the policy of "state atheism," is today

itself experiencing revivalist tendencies. Azerbaijan is having to enter entirely new expanses of the Islamic world experiencing the tumultuous stage of modernization. The attributes of this world are not only the mosque, the madrasah, the shari'ah, and so forth, but also progressive technology, financial empires, modern agro-culture, avant-garde art, and urban landscapes arising like a mirage in once lifeless deserts.

Tehran has in the present century repeatedly been a symbol of major political events. The role of the Iranian capital in the events of recent years is of particular significance for Azerbaijan. Attempts at a peaceful settlement of the Armenia-Azerbaijan conflict were made here for the first time. Unfortunately, these attempts were ruthlessly torpedoed by the Armenian aggressors. As soon as promising symptoms of a stable peace were identified at the tripartite negotiations in Tehran, Shusha fell beneath the assaults of the Armenian armed forces.

"After this" does not mean "because of this," of course. But the chain of these events, which culminated in tragedy, engendered in certain circles of Azerbaijan a certain distrust of Tehran's peacemaking efforts. Aside from making it possible to achieve ponderable practical results, the official visit to Iran of Geydar Aliyev, president of Azerbaijan, demolished the stereotypes born of distrust and suspicion in respect to the southern neighbor. It has become clear that Iran is playing, or at least would like to play, the part of dispassionate party based on the fact that it is such a policy that could help it become an arbitral judge in the conflict, the natural habitat of which has moved right up to its borders.

Iran obviously has its own vision of the ways that regional problems can be resolved, but the positions of the two countries coincide on what is most important—the view of the Armenia-Azerbaijan conflict and the prospects of cooperation.

The dialogue of the presidents of the two countries, Geydar Aliyev and Ali Akbar Hashemi-Rafsanjani, was structured in accordance with their particular tactical plans and the repercussions that the situation in the region has had on the situation in the countries that they head. Naturally, the positions differed in some respects, but it would hardly be proper to say that they contradicted each other. The experienced politicians employed oriental wisdom and subtle tact to harmonize formulas reflecting the interests of the two parties.

This dialogue could be compared with some "intellectual tug-of-war" were it not for the interlocutors' immense mutual respect, patience, and attention to each other's arguments. If comparisons are to be made, this was, rather, a brilliant game of chess between grand masters, each of which was unwilling to lose, but was not averse to win, either.

The positions of the two parties' may be formulated briefly as follows: For Rafsanjani, the most important thing was the achievement of agreement in the economic sphere; for Geydar Aliyev, the strengthening of the political alliance

with Iran. Specifically, he put the emphasis on an intensification of its mediating role in a peaceful settlement of the conflict.

"I understand your interest," Geydar Aliyev said, "in the construction of the Khudaferin hydraulic power system and the railroad line that would link Astara and Qazvin and emerge at the Persian Gulf and in cooperation in the resolution of environmental and other problems of the Caspian. I am not opposed to the realization of these and other joint projects. It is for this purpose that I have brought with me a whole group of leaders of the corresponding ministries and departments. But we cannot embark on the erection of the hydrosystem, because this territory is in the hands of the Armenians, and I cannot guarantee the safety of Iranian specialists and workers. Before starting to build, we need to end the war, the dimensions of which, unfortunately, are expanding increasingly."

Geydar Aliyev proposed a specific step geared to a strengthening of the peacemaking potential—an indication in the final statement of the two parties of Iran's attitude toward the Armenian aggression.

This proposal was greeted quite guardedly. President Rafsanjani said, in effect, that so candid an expression of positions at the time of bilateral relations could evoke an undesirable response among the world community. Rafsanjani added that Iran supports Azerbaijan in its just war at international forums, at sessions of the Islamic Conference Organization particularly, and considers an essential condition of a political settlement of the conflict the immediate withdrawal of Armenian troops from the occupied territories.

"Let us act," Rafsanjani said, "such that words be mild, but actions, tough."

On behalf of the Azerbaijani people, Geydar Aliyev thanked Rafsanjani for his solidarity and moral and material support. He observed that Iran's decision to take in 100,000 Azerbaijani refugees was testimony to the consistent assistance to Azerbaijan. But the nature of the conflict, which arose as a result of the flagrant flouting of all international rules and laws, is such that it demands not only decisive actions, but also decisive words of condemnation of the aggressor.

This theme was continued during the meeting between President Geydar Aliyev and Gasan Gasanov, minister of foreign affairs of Azerbaijan, and Ali Akbar Velayati, minister of foreign affairs of Iran, which was held at the Sadabad Palace. A joint statement that satisfied both parties was adopted as a result of the negotiations. It included a point on which the Azerbaijan side had insisted.

Summing up the top-level meetings, Geydar Aliyev emphasized at a news conference that was held later at the Sadabad Palace that relations between the two countries remain traditionally friendly and good-neighborly. The ice of mistrust that had arisen between them as a result of the short-sighted and amateurish foreign policy activity of the

former leadership of Azerbaijan had been melted. Azerbaijan recognizes full well the significance of Iran's mediation mission. We will continue, Geydar Aliyev stressed, to welcome Iran's active participation in the processes of a peaceful settlement of the conflict. And we are satisfied that Iran understands the serious consequences of the Armenia-Azerbaijan conflict, an escalation of which would threaten all states of the region. Azerbaijan today is acting as a restraining force and buffer zone. Having contained the fire of war within its borders, it is preventing it from spilling beyond them. But the forces are too unequal, if it is considered that Armenia is backed by a number of important states. Azerbaijan is essentially confronting the aggression alone. The republic needs more active assistance.

The search for partners shifted even further south during Geydar Aliyev's visit to Saudi Arabia (9-12 July). Whereas Iran, which had endured the war with Iraq, is encountering pronounced economic and social difficulties, Saudi Arabia represents a model of a prosperous state. In spite of the theories of Marx, there are in this model capitalist country no class contradictions, no proletariat that has nothing to lose but its chains, no devastating economic crises, and no signs of stagnation whatever.

Saudi Arabia is a country from a tale that Scheherazade could have told on the 1,002d night. It is a country of the future that is a worthy model for emulation not only for new independent states, but for Europe also.

For Azerbaijan the example of Saudi Arabia is further indicative in that it testifies how much can be achieved if oil wealth is turned to the good and the benefit of one's people.

The significance of the visit of Geydar Aliyev, president of Azerbaijan, to Saudi Arabia is determined not so much by political and economic factors (although they are very significant in themselves) as by spiritual factors. Figuratively speaking, Azerbaijan has turned away from the chimerical reveries of communism toward Kybia. The main thing in the program of the visit to Saudi Arabia, in our view, therefore, was the hajj—the pilgrimage to Mecca, which, as we all know, is a pillar of Islam.

Wakil Al-Hajj—this is what with every justification we may henceforward call Geydar Aliyev, president of Azerbaijan, who took on himself the obligation of the entire Muslim population of the republic to make a pilgrimage to Mecca.

Muslim pilgrims have been coming to Mecca for 14 centuries to make the seven ritual rounds of the Ka'bah and to kiss the "black stone and to cross seven times between the hills of as-Sara and al-Marva, around which the Masjid al-Haram (Secret Mosque) has been built, and also to drink water from the Zem-zem spring.

This ritual, which is called the "minor pilgrimage" (umrah), was made by the Azerbaijan delegation. The representatives of the republic not only walked around the Ka'bah but were also admitted inside it, which is allowed only in exceptional cases.

Here, in the inmost stillness, at the focal point of the entire spiritual life of Islam, in the place toward which the gaze of millions of Muslims is turned, Geydar Aliyev and Shaykh ul-Islam Hajji Allahshukyur Pashazade spoke to the Almighty, requesting that he send down peace and tranquility to the war-torn land of Azerbaijan.

The visit to Medina, whose name in Arabic is Madinat al-Nabi (city of the prophet) or simply al-Madina (the city), and the mosque of the prophet, was highly symbolic.

Symbolic because this visit revealed anew the context of the political situation in Azerbaijan. It is well known that in this city the Prophet Mohammad accomplished a multitude of tasks concerning regulation of the spiritual and personal life of Muslims. One of the main problems that he had to tackle was that of the Mecca refugees. The prophet proposed that each wealthy family in Medina come together with a family of Mecca refugees. Both families were to work together, share their income, and live in unity and concord.

Another problem that disturbed the prophet was that of the peace and security of the homeland. The prophet had come to Medina when a dangerous political vacuum had arisen there: Quarreling families recognized no one's supreme authority and no forms of state. By energetic efforts Mohammad established a powerful "community" and concluded a number of defensive alliances with neighboring tribes. Following the subjugation of Mecca, Mohammad extended his power to the whole of the Arabian peninsula.

The Muslim state that emerged in the first year of the hijrah in a neighborhood of Mecca spread over a territory of 3 million square kilometers.

Unfortunately, the Muslim world is once again today shaken by crises and wars. The problems of refugees and security are becoming increasingly serious for a number of states with a Muslim population that have been formed following the disintegration of the USSR and the SFRY.

During the meetings and negotiations that were held in the course of the visit to Saudi Arabia, Geydar Aliyev constantly raised questions concerning aid to the refugees and a stimulation of international efforts for a settlement of the Armenia-Azerbaijan conflict.

This was discussed during the conversation behind closed doors with Fahd Al Sa'ud, king of Saudi Arabia, at the Mir Palace, in which a reception in honor of the Azerbaijan delegation was given.

The set of problems concerning cooperation in the economy, science, technology, and education and an expansion of the scale of humanitarian assistance was discussed at Geydar Aliyev's meeting with businessmen at the Jiddah Trade and Industry Chamber and the leaders of such authoritative Muslim organizations as the Islamic Conference Organization, the Islamic Development Bank, the Nijat international organization, and others.

The "mainspring" driving the mechanism of assistance to Azerbaijan was the will of the leader, who endeavored to convey the truth about the war imposed on Azerbaijan and to describe its major economic potential, which is awaiting foreign investments, and the high spirituality of the

people, who are tired of the war and who are dreaming of creation. The quintessence of all the president's speeches could be the words he spoke at a news conference: "Had the Muslim countries aided Azerbaijan as its coreligionist states have been aiding Armenia, the war would have been over long since."

In accordance with Saudi Arabia tradition, an intergovernmental agreement on collaboration was signed by the ministers of foreign affairs—Gasán Gasanov and Sa'ud al-Faysal. The title of the document reflected the entire spectrum of the partnership: "General Agreement on Cooperation in the Sphere of the Economy, Trade, Investments, Science and Technology, Culture, Sports, and Tourism, and on Youth Matters."

I asked Gasán Gasanov, minister of foreign affairs of the republic, to comment on this document.

"Azerbaijan is the first CIS country," he said, "to have signed an agreement of such proportions on cooperation with Saudi Arabia.

"This country has spare capital, and it is prepared to invest it in Azerbaijan's economy. We are talking not only about oil and petrochemical industry, but about other spheres also and the infrastructure. The inclusion in the document of a point concerning the youth, which is, incidentally, unprecedented in the practice of interstate relations, testifies that the general agreement is geared to a very long perspective. The program of cooperation is so extensive that it was decided to create a special commission that will determine Azerbaijan's possibilities, the terms of the investment of capital, and the priority areas of cooperation."

Another important summary document is the joint communiqué. It records, in particular, that the parties agreed to strengthen and intensify fraternal relations between the two countries in all spheres. It was stated also that they discussed the question of Armenia's occupation of part of the territory of Azerbaijan and confirmed that this occupation is a violation of the principle of the nonuse of force in the settlement of conflicts. They demanded the immediate withdrawal of the Armenian armed formations from the territory of Azerbaijan and the discussion of the problem at the negotiating table in a search for the achievement of a peaceful and just settlement of this conflict.

The visits of Geydar Aliyev, president of Azerbaijan, to Iran and Saudi Arabia helped people take a realistic look at the possibilities and prospects of cooperation with countries of the East that are rich in oil and, consequently, finances also. These countries build their foreign policy quite pragmatically. They are far from philanthropic sentiments and prefer to deal with potentially economically equal countries. Assistance to the Muslims of the CIS will most likely grow. But whereas even quite recently it was chiefly of a humanitarian nature and was geared to an improvement in the spiritual state of the Muslims, today it is oriented toward the acquisition of joint dividends. For example, the nature of the partner relations concluded between Saudi Arabia and Azerbaijan testifies that the "rich" countries of Islam aspire not to expand economically in the Muslim countries of the CIS, but to help them

obtain their own model of development. A model that makes it possible to synthesize traditional spiritual values with the technological achievements of the economically and scientifically advanced civilizations.

As far as "exportation" of the ideas of Islam is concerned, it should be observed that Saudi Arabia and other "oil kingdoms" prefer to deal with an institutionalized clergy, not new Muslim leaders. They are by no means interested in a destabilization of the situation in the Muslim regions. So Muslim radicalism hardly has a chance of finding the support of conservative regimes interested in stability both within the country and in the region. And in this sense cooperation with such countries is a dependable guarantee of peace in the East.

Chairman Views Musavat Party Activities

944K2165A Baku MOLODEZH AZERBAIDZHANA
in Russian 19 Aug 94 p 3

[Interview with Isa Gambar by Tamara Rafailova; place and date not given: "A Politician May Not Tell the Whole Truth, But He Does Not Have the Right To Lie"]

[Text] 37, Prospekt Azerbaydzhan.... Two flags fly in front of the entrance to the building: a tricolor, of our republic, and a blue one, of the Musavat Party, whose chairman, Isa Gambar, is today the column's guest.

[Rafailova] Isa muallim, you were one of those who created the NFA [Azerbaijan People's Front]. What was the reason for your leaving the NFA and forming your own party?

[Gambar] I did not leave the NFA. We set about reconstituting the Musavat Party while still in the NFA. Even after the Third Musavat Party Restoration Congress in 1992, we remained members of the NFA, whose rules provided for the presence in its ranks of members of other parties also. But at the last NFA congress, certain revisions were made to its rules, and as a result, a provision to the effect that members of another party could be members of the NFA only if the other party was a collective member of the NFA appeared. This issue was discussed in our party, but since it contained more than just members of the NFA, the general opinion that emerged was that there was no need for membership of the NFA, and as a result, we ended up outside of the NFA. So this was not a decision of our party but rather the decision of members of the Front that had made this revision to the rules.

[Rafailova] To whom did the idea of reconstitution of the Musavat belong?

[Gambar] This idea was in the air among the participants in our national democratic movement, who thought and considered that the historical Musavat should restore its activity on the territory of Azerbaijan in full. So this was not the idea of a specific person, it was a common idea.

[Rafailova] Are those who were in at the start of the reconstitution of the Musavat Party in it today also?

[Gambar] Yes, the majority of those who were in the restoration center are in the Musavat now also. These are people who are quite well known in Azerbaijan. They

include, for example, Sabit Bagirov, who was a presidential adviser and then chairman of the Azerbaijan State Oil Company; Vurgun Eyubov, who essentially carried through the revolution in the field of education in Azerbaijan; Niyazi Ibragimli, who was one of the leaders of Yeni Musavat and who is now general secretary of our party; and Nasib Nasibzade, who was general secretary of the Musavat and who is today our party's secretary for foreign affairs.

[Rafailova] Please tell us in brief about the party and how it emerged.

[Gambar] To begin from the beginning, the Musavat Party was founded in 1911 on the initiative of M.E. Rasolzade. It takes the credit for the proclamation in 1918 of the independence of Azerbaijan and the formation of the Azerbaijan Democratic Republic. The party's slogan, "Freedom for People, Independence for Nations," is pertinent in our day also. Following the occupation of Azerbaijan in 1920, the majority of members of the party were arrested and wiped out, and the rest emigrated and continued party activity overseas.

In 1989, following the start of the popular movement in Azerbaijan, a group of participants in the movement formed a party named Yeni Musavat, and in March 1992, following intensive consultations between Yeni Musavat and the leadership of the Musavat in Turkey, a restoration center was formed. This quickly performed the necessary organizational work, and the Third Musavat Party Restoration Congress was held in November 1992.

There has basically been no change in Musavat's program goal—democracy and independence. But this is not a dogmatic party, and the program has in these decades been improved with regard to all that is progressive in world experience, and this work continues today also.

[Rafailova] What are your party's tasks at this time?

[Gambar] The party's tasks are subdivided into three main areas: **First**, education—political, economic, and legal—and also propaganda of the national ideology of Azerbaijan. **Second**, current problems of Azerbaijan. Some of the results are being offered government circles. Some problems have been taken into consideration at the ministerial level and higher, even, at times. **Third**, people are uniting in the party in order to come to power. Various concepts and programs for the implementation of reforms are being prepared, therefore. A "personnel bank," into which not only members of the Musavat Party but of other parties also and also independent specialists are being input, is being created. The main criterion here is knowledge and work experience. And we wish to come to power as a result of elections.

[Rafailova] What does power mean to you, not to the party?

[Gambar] Were there in Azerbaijan a sufficient number of serious politicians, I would not, most likely, come to power, but this has not, unfortunately, been the case, and this profession appeared once more in Azerbaijan only at the end of the 1980's and the start of the 1990's. And even

today, were I sure that there were if only 20 politicians superior to me in this profession, I would leave politics. But I do not see this, and I have no wish to be demonstratively modest, and for this reason I am staying in politics.

[Rafailova] Was it only this reason, that is, the absence of a sufficient number of strong politicians, that impelled you to leave history and become involved in politics, or is it, additionally, a question of your character?

[Gambar] I have always been moved by problems of our people. And if at this time I have an inner conviction that I could be of some benefit to our people in this calling, I must continue my activity. My character is rather that of a research associate than of a politician, that is, life itself brought me here.

[Rafailova] And if at some point you come to think that you might be of more benefit to the people in this field?

[Gambar] The political opportunities for extricating Azerbaijan from the crisis are not as yet exhausted. If Azerbaijan is in a situation in which political activity is futile for it, not for me, I will seek other opportunities to serve my people. There are various fields for this: journalism, science....

[Rafailova] I meant political activity for you, not for Azerbaijan.

[Gambar] I do not separate my fate from that of Azerbaijan.

[Rafailova] What do you consider yourself, are you a democrat?

[Gambar] This has to be judged by those around me. The principles of democracy are not for me slogans, they are for me my inner conviction. I do not see a better way for society to exist.

[Rafailova] Is there, then, in your party lower-level members' criticism of their superiors?

[Gambar] Yes, naturally.

[Rafailova] Do they criticize you?

[Gambar] Of course.

[Rafailova] Your first reaction?

[Gambar] No one likes criticism, but it is interesting for me personally. I try to look into it. It is natural that I am evaluated more objectively from outside than I evaluate myself. I try to draw the conclusions if there have been some sound observations.

[Rafailova] Are these most often sound observations?

[Gambar] If we are speaking not about the party but in general, I am criticized so often that it would be hard to keep any statistics here. But I am not against this, let people criticize. I often try to understand and analyze what they are saying. If a person is sure of the soundness of his policy and his activity, criticism can only help.

[Rafailova] And what do you yourself think, are there in you some traits of which you should rid yourself in order to continue to pursue your activity? Yeltsin, for example,

said of himself in his book that he should rid himself of his impetuosity and hot temper.

[Gambar] I know some of my shortcomings, but I do not consider it necessary to talk about them. If I know of them and am working on them, this is sufficient, and if some people see a shortcoming that I do not spot and he tells me about this, I will only be grateful to him....

[Rafailova] It will take time for society to become imbued with the idea of independence, what do you think?

[Gambar] It will undoubtedly take time, of course. There has to be a change of two generations, but we cannot wait until the generations have changed; we need precise, well-considered work. In order that tomorrow 90 percent of the people see no alternative to independence, we need to ensure that 30-40 percent correspond to these requirements today. It is only Marxism that says that the world develops from the lowest to the highest. The development of the world—that is, progress—never occurs of its own accord; it is the result of activity.

[Rafailova] An expression that came from the mouth of a politician—"Politics is a dirty business"—is widespread; what do you think?

[Gambar] I do not think it is. All professions have opportunities for both dirty and clean work. Journalism, for example, is excellent work, but can there not be dirty journalists that have wallowed in unseemly business? The same may be said about many professions also. I believe that a politician may not tell the truth, but he does not have the right to lie!

[Rafailova] And, in conclusion, the Musavat's immediate plans?

[Gambar] A strengthening our party's ties to Azerbaijani society and preparation for the future elections....

[Text] I had seen Isa Gambar many times on television, but he did appear to me to have already been fully revealed or any less interesting because of this. There is much in him and in what he says that is thought-provoking, that compels reflection....

It is said that there are certain dominant traits in each individual, and if this is true, they could in him be high intellect, erudition, fluent, even speech, and a constant endeavor to learn and to think. To the question: "What should the most important thing in an individual be?" he replied: "Intellect and will."

He maintains his dignity and tries to appear patient and self-possessed under all circumstances. Concerning the latter point: Bringing the interview to an end, I told him about this, to which he responded: "I am both patient and self-possessed." I do not know whether this is the case in reality, but I believe that if a person aspires to appear such, he will do so....

Russians Appeal Language Discrimination

944K2175A Baku VYSHKA in Russian 20 Aug 94 p 2

[Text of the open letter from representatives of Azerbaijan's Russian Community to the President of the Republic of Azerbaijan G. Aliyev]

[Text] Dear Geydar Aliyevich!

We are citizens of Azerbaijan, who consider the republic our motherland. At all times we felt welcome; we shared our joys and sorrows with members of other nationalities populating the republic. The Karabakh war unleashed by the Armenian aggressors became our grief too. And this is why there are also Russian men who joined the common ranks to defend their motherland, who lie buried in Shekhidlyar Khiabany, next to Azerbaijanis, Lezgins, Tatars, Jews, and members of other ethnic groups.

Unfortunately, over the past few years, because of the processes taking place in the sociopolitical life of the republic, the situation of the Russian population has become unstable. Your election as president gave us hope for a better future, because in you we saw a politician who knows how to draw proper conclusions from the past, successfully deals with the difficulties of the present, and most importantly, has an insight into the future. That is why we turn to you with the problems that concern us today.

One of the topical ones is a sharp reduction of the sphere of usage of the Russian language, in which many generations of the republic's citizens have been educated. Dropping the usage of the Russian language as a working language puts a large group of professionally trained people into a situation that artificially limits their business activities, because all documentation is kept in the state (Turkic) language, which uses the Latin alphabet. The same problem is characteristic of the judiciary, which puts people who do not know the language into an unequal situation from the start.

While we believe that all citizens of Azerbaijan must learn the state language, we at the same time are convinced that this process should be gradual. A clear, professionally devised program of teaching the state language both in educational institutions (first of all in general education schools) and in the production sector is needed.

One of the factors that produces migration moods among the people is the declining volume of information available on the republic television and radio in the Russian language, and cutting the frequency of periodicals. Being cut off from the life of the republic due to the information vacuum is the factor mentioned by most of those who intend to leave the republic.

People are also prompted to leave by the lack of prospects for professional and career growth for themselves and their children. We are concerned over the cuts in the Russian segments in higher and middle school, and the shortage of textbooks for Russian schools.

One can count on one's fingers today members of the Russian community who hold positions of responsibility in administrative structures. We, however, believe that the potential of Azerbaijan's Russian population is far from exhausted, and the republic can only gain from its proper utilization.

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And another problem that deeply concerns us is the continuing seizure of apartments of the Russian (Russian-speaking) population and the lackadaisical attitude on the part of members of law enforcement and judiciary organs toward people who display blatant lawlessness. A negative role in this matter also was played by the Republic of Azerbaijan National Assembly's decision No. 014/7-398 dated 9 May 1994 and the directive No. 450 of the city of Baku's head of the executive authority, dated 23 March 1994, which prohibits eviction of refugees from seized apartments until temporary housing is found for them.

We appeal to you, Geydar Aliyevich, with an urgent plea to use all your authority and influence to stop negative manifestations in this area and to quickly review the facts of violations of law. The persons who violate the law must be severely punished.

The aforementioned factors are among the main ones influencing the outflow of the Russian-speaking population from the republic, which has increased lately and is having a negative effect on all spheres of Azerbaijan's public life—first and foremost, the economy. Most members of the Russian-speaking community are specialists with higher education, skilled workers and white-collar personnel.

We hope, Geydar Aliyevich, for assistance in resolving the problems of concern to us and our loved ones, and would like very much to meet with you in order to discuss the aforementioned in detail.

Respectfully,

[Signed] Ye. Arshava, senior researcher of the Genetics and Selection Institute of the Azerbaijan Academy of Sciences; N. Vasilchenko, director of secondary school No. 145 of the city of Baku; L. Grigorveva, soloist of the Azerbaijani State Academic Ballet and Opera Theater; Capt. 1st Rank (ret.) V. Deryagin, deputy chairman of the Veterans Council of the Azerbaijani Navy; M. Zabelin, people's deputy of Azerbaijan, chairman of the republic's Russian Community; V. Zotov, docent of the imeni M.E. Rasul-Zade Baku State University, chairman of the "Concord" ["Sodruzhestvo"] society; L. Kovaleva, mother of the National Hero of the Republic of Azerbaijan; A. Kuznetsov, chief of the design and construction department of Azerneftyanadzhag Industrial Association; V. Mayorov, deputy chairman of Azerbaijan's Russian Community; O. Savchenko, editor in chief of the SODRUZHESTVO newspaper; Father Sergiy, dean of the Holy Anointment Cathedral (Baku); Yu. Stasenko, deputy chairman of the "Concord" society; G. Tretyakov, chairman of the international affairs commission of the Communist Party of Azerbaijan's Central Executive Committee; F. Fomtseva, pensioner, deputy of the Baku city soviet of people's deputies of five convocations.

Baku Cholera Case Reported

944K2170B Yerevan RESPUBLIKA ARMENIYA
in Russian 19 Aug 94 p 1

[NOYAN TAPAN report: "And in Baku as Well?"]

[Text] A case of cholera has been registered in Baku, and two individuals have been identified as carrying the dangerous and infectious comma bacillus. This report was issued by Ali Nuralibekov, chief physician at the Baku Hygiene and Epidemiology Center.

Farmers Outproduce Kolkhozes

944K2177A Baku ZERKALO in Russian 20 Aug 94 p 4

[Report by G. Zulfigarov: "Private Farms' Productivity Is 1.5 Times Higher Than That of Kolkhozes"]

[Text] "The productivity of private farms, where slightly more than 4,000 persons work, is 1.5 times higher than that of the state sector's 625 sovkhozes, 1,074 kolkhozes, and 205 interfarm enterprises." This is the opinion of Ilyas Abbasov, chief of the economic reform department of the republic's Ministry of Agriculture.

With a rather limited quantity of equipment—118 different brand tractors, 82 trucks, 23 seeders, and 24 movers—private farms have produced 1,469 quintals of milk, 885 quintals of meat, 16,404 kg of wool, and 85,000 units of eggs. The livestock herd at private farms currently comprises 1,911 head of horned cattle, 17,600 sheep and goats, 181 swine, and 11,900 heads of poultry.

As Ilyas Veliyev, chief specialist of the ministry's market economics department, told ZERKALO correspondent, these data reflect the results of operations of private farms that were registered last year. According to I. Veliyev, by the end of this year, the number of private farms is expected to increase to 1,000.

First-Half Foreign Trade Statistics

944K2177B Baku ZERKALO in Russian 20 Aug 94 p 5

[Report by G. Zulfigarov: "We Buy More Than We Sell"]

[Text] As the ZERKALO correspondent was told in the Ministry of Foreign Economic Relations of the Republic of Azerbaijan, over the first half of 1994, in Azerbaijan's foreign economic relations with CIS countries, the total export and import of goods amounted to, respectively, \$155.916 million (exports) and \$317.191 million (imports), including the total volume of reexport in the amount of \$2,821,580.

Over this period, total exports of goods from Azerbaijan to Russia, Uzbekistan, Georgia, Tajikistan, and Kyrgyzstan exceeded the imports into the republic of goods, raw materials, and natural resources from these countries. At the same time, products imported from Ukraine, Belarus, Moldova, Kazakhstan, and Turkmenistan exceeded by a multiple factor the volume of Azerbaijan's exports to these countries.

The countries with which Azerbaijan is developing most favorable economic ties are Russia, Ukraine, Kazakhstan, and Turkmenistan. Unfortunately, economic relations between our republic and Georgia, Uzbekistan, Kirgizia, and Tajikistan leave much to be desired.

In Azerbaijan's foreign economic relations with far-abroad countries, the total imports and exports for the first half of this year comprised \$160,893,340 and \$181.567 million,

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respectively. Because of the shortage of markets for distribution of our own products, the dominant place in the trade with far-abroad countries is held by the countries that concentrate on exporting their products to our republic but categorically oppose imports of any products from Azerbaijan: the United States, Canada, Israel, India, Pakistan, Egypt, Singapore, Taiwan, PDRK, South Korea, Jordan, Ireland, Cyprus, Brazil, Denmark, Libya, Yugoslavia, and China.

France, Germany, the United Arab Emirates, Turkey, Japan, Italy, Belgium, Greece, and some other countries export their products to Azerbaijan but also import small quantities of goods from it. Among the states that are attracted to Azerbaijan as a strategic "export base" are Great Britain, Iran, Finland, Switzerland, Poland, Austria, Afghanistan, and Lithuania. As a result, the total imports from both near and far abroad comprised \$478,084,380 and exports—\$337.483 million, while reexport exceeded 22.6 percent.

Prices Rise Faster Than Salaries

944K2177C Baku ZERKALO in Russian 20 Aug 94 p 5

[Unattributed report: "Prices Rise 7.8 Times Faster Than Wages"]

[Text] As Azerbaijan's Deputy Minister of Economics Agil Efendiyev told the ANS-PRESS agency, over the first half of 1994, prices for basic food staples increased 18.2-fold as compared to the first half of 1993, and those for for-fee consumer services—14.4-fold. Over the past seven months of the current year, as compared to the preceding quarter of 1993, food prices rose 17.2-fold, and those for consumer services—34.1-fold. At the same time, according to the data of the Ministry of Labor and Social Protection of the Population, the minimum wage between November 1993 and July 1994 increased only 2.2-fold.

REGIONAL AFFAIRS

Stability in Caucasus Seen as Vital for Central Asia

944F1260A Moscow NOVAYA YEZHEDNEVNAYA GAZETA in Russian 13 Aug 94 pp 1-2

[Article by Rustam Chabiyev: "There, Where the Cross and Crescent Meet"]

[Text] In the communist society which has departed, relative tranquillity in inter-nationality relations was secured by the total pressure of ideology on the national consciousness as well as by the entire might of the state apparatus. However, the complication of economic relations and the introduction of information technologies as an element absolutely necessary in all spheres of life have made the supremacy of the previous bolshevist methods over the economy impossible. Technological progress has accomplished what the opponents of communist ideology failed to do.

The emergence of young independent states, the so-called near abroad, has compelled one to evaluate the geopolitical situation in the expanses of the former USSR in a new way.

In particular, the relative state of isolation from the outside world of the states of Central Asia both by geographic obstacles and by countries where extremist and unstable regimes hold sway, make the export of raw material in a southerly direction difficult. The most preferable route for freight from the states of this region to the outside world lies to the west across the Caspian Sea and the Northern Caucasus to the Black Sea and beyond.

In the Caspian Sea, most likely, Baku and Makhachkala will be the points for the replacement of tanker transport by pipeline transport. It should be noted that, in talking about raw material, we mean oil and gas primarily. The western shore of the Caspian Sea not only constitutes the terminal for Central Asian raw material resources but is itself very rich in the oil of the shelf deposits. Moreover, the leading world petroleum-producing firms, for example the English "British Petroleum" with its experience in developing maritime oil and gas deposits, are showing an interest in this region given a favorable attitude on the part of the governments of Azerbaijan and Great Britain.

There can be no doubt whatever that not a single contract for developing Central Asian raw material jointly with a foreign firm will be concluded without difficulties. However, the region's remoteness, technical and financial obstacles, political intrigues—all these difficulties will sooner or later be overcome.

The shortest route for a petroleum pipeline should run from Baku through Azerbaijan, Armenia, and Georgia to Turkey and then through the Mediterranean over the entire world. However, the war in Nagorniy Karabakh and the troubles in Georgia make any version of laying a pipeline through the Transcaucasus questionable, especially as eastern Turkey with its Kurdish problem increases the risk.

Because of the foregoing reasons all Transcaucasian routes give way to a version under which the petroleum pipeline runs through the Northern Caucasus along the Makhachkala—Grozniy—Novorossiysk line.

According to press information intensive work on selecting the routes for laying the petroleum pipelines and the entire political and legal support system is now under way. The CIS states and the foreign countries through which the preferable routes for the movement of raw material run—the possessors of advanced technologies for producing and transporting oil and gas—are the direct participants in these contacts.

One should always remember that the border of Russia runs along the Caucasian mountain chain. That is why the independent republics of the Northern Caucasus, in entrusting the defense of their interests to the center, are relying on its ability to harmonize the reciprocal claims of all those living in this region. The forthcoming transformations of the Caucasus into a zone through which a path of raw material for the entire world will pass is the first and chief prerequisite for stabilization of the situation.

If the positive aspects of the transit of raw hydrocarbons through the Northern Caucasus are more or less clear, then the harm which the river of oil can potentially do requires

the most intent consideration. And indeed everybody remembers what the depressurization on the Bashkir section of the West Siberia and Volga area gas condensate pipeline resulted in. A catastrophe for two trains and an incredible number of dead and burnt—that was the reward for a careless attitude towards pipelines. This tragedy has resounded all over the world, but how many accidents in the vast expanses of the former USSR have remained unnoticed only because of low population density and non-utilization of the land for economic activity has allowed the ministries and departments involved to hush things up.

However, even with a high-tech solution of the problems of hydrocarbon transport, the inevitable risk of accidents remains. That is why the needs of the ecology in general and the liquidation of the consequences of accidents in particular, perhaps, first needs to be examined as a political question.

The period of vegetation in the North Caucasus zone lasts seven months. The soils are basically very fertile and the pipeline passes moreover through densely populated regions to which the sovereignty of many subjects of the Russian Federation extends. That is why the ecological problems of the Black and Caspian Seas as well as of the transit corridor should be resolved in a legislative manner just as is contemplated in the draft law "On the Baykal." Or in draft laws on oil and gas and other similar ones, with special earmarking of the provisions protecting the ecological well-being of the Black and Caspian Seas and the transit zone.

Unfortunately, cadres which had been formed in the practice of socialist construction constitute a significant share in Russian leadership at all levels of its pyramid and even more so in the leadership of the republics of the Northern Caucasus. These people will destroy any thing which arouses their interest, especially as their mission at the present time lies only in personal enrichment. They need all the conflicts raging around to mask their egotistical goals. That is why they are interested in prolonging the existing instability. There won't be tranquillity in the Caucasus as long as the key posts remain for the "fragments" of the old party-state apparatus. That is why any judicious and universally beneficial actions should be accompanied by the selection of cadres not sullied by the apparatus of the past.

A system of technological, juridical, economic and financial measures is a very powerful stabilizing factor. For example, technical policy in the area of state standardization can foster the joint functioning of the economy and inhibit centrifugal tendencies. The experience in adapting

advanced Western technologies to Russian conditions is not always unfavorable and that is why it is admissible for states beginning their own independent economic existence within the framework of the Federation. Perhaps three-sided joint ventures (Russia, the Caucasian republic, a foreign firm) will be the best solution in this case.

Everybody who is involved in politics in the Caucasus or who lives there should remember that there are two places in the world where the cross and the crescent meet—the Balkans and the Caucasus. These geographical concepts were historical and political realities influencing the fate of the world for centuries. Muslims and Christians live side by side in many regions of the world but nowhere do they stand this way against each other, having an enormous body of peoples of a single faith and mentality directly behind their back.

Yesterday the East slept, today it is waking up, and soon it will take its true place in the world fellowship of peoples, which will not be the last. The guarantee of this is a brilliant past which has given much to all mankind.

In looking back at the past centuries we see that beginning with the 14th century the history of Europe has been stained in bloody tints because of a constant struggle with the East. Russia, having finally liquidated the last survivals of the domination of the Golden Horde, beginning with the 16th century commenced interminable wars to seize the lands in the south and moved its borders ever farther to the south right up to the end of the 19th century. The Caucasus and the Balkans are boundaries at which the confrontation of the past centuries has abated. But now it is obvious that the confrontation of the cross and the crescent is beginning anew, although in a different form. However today the cold steel in the past and the continuation of historical controversies with the weapons of the 21st century are madness.

Post-war Japan and Germany have shown how it is possible to conquer countries and continents by goods, technology, and finances. Their success is the only reasonable alternative to interminable wars.

Realization of the fact that positive experience in internationality relations will result in the competition of the Christian and Muslim worlds on a bloodless field is the second prerequisite for stabilizing the situation in the Northern Caucasus. Western Europe and the United States have displayed concern and determination in the Balkan crisis and there will be peace there in the end. It will remain to anticipate that the peace-making experience that Russia has acquired in the Balkans will also prove useful to it for barring war in the Northern Caucasus.

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